Taxing an Innocent Millionaire

reason

Free Minds and Free Markets

May 1987 / $2.00

LOST TREASURE

CHINA

The Appearance and the Reality

John Silber On Heroes

Orwell's War Propaganda

Get Rich Quick? Hah!

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Is the arthritis drug your doctor prescribes as safe as aspirin?

Chances are it's safer!

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Drug treatment of arthritis began with aspirin.

Most of us think of aspirin as an essentially harmless medicine for fever, headache, toothache, or other minor pains. But in 1899 aspirin, in higher than the usual dose, was also found to reduce inflammation. This suggested it might be useful in arthritis (inflammation of the joints). In fact, aspirin was practically the only drug treatment for arthritis during the first half of this century.

Aspirin risk vs. aspirin benefits.

Although aspirin is still among the most effective treatments for arthritis, it is far from harmless in the high doses that are needed (as many as 8 to 20 tablets a day). It can cause a variety of unwanted effects ranging from nausea and vomiting to stomach ulcers. Doctors treating arthritis have always had to consider whether the benefits of aspirin outweigh these risks.

The promise of new anti-arthritis medicines—greater safety.

Pharmaceutical research in the treatment of arthritis has concentrated on finding drugs that are safer than aspirin. About 1950, cortisone and other steroid hormones were thought to be the answer. But while they are valuable in treating many medical and surgical problems, they cause too much change in overall body chemistry when used for long periods of time in arthritis.

In recent years, a group of medicines called nonsteroidal anti-inflammatory drugs (NSAIDs) became available. Most people have no difficulty taking these drugs. NSAIDs offer significant advantages over aspirin because they produce fewer side effects—particularly in the stomach and intestine. Today they are the drugs most widely prescribed for arthritis by doctors all over the world.

Making your medicine easier to take.

A major advance of the past decade has been the introduction of new NSAIDs that can provide effective relief when taken less often. This avoids the inconvenience of having to take medicine for arthritis several times a day. It can also eliminate the problem of being awakened at night by arthritis pain.

What's right for you—your doctor knows best.

Your doctor will select the arthritis treatment that is right for you. Sometimes one NSAID works better than another.

Discuss any question you may have about the medication with the person who knows most about your medical problems—your personal physician.

Your doctor can determine whether the problem comes from your medicine or reflects some other underlying problem. Remember, 95 out of 100 patients take arthritis medication without any serious discomfort.

You may get all kinds of advice from well-meaning friends, relatives, and other people with arthritis. Don't let them make medical decisions for you. The only person competent to do that is your physician.

For additional information on arthritis, please contact your local Arthritis Foundation Chapter. For a reprint of this message, write: Pfizer Pharmaceuticals, P.O. Box 3852NSA, Grand Central Station, New York, NY 10163

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reason

Free Minds and Free Markets

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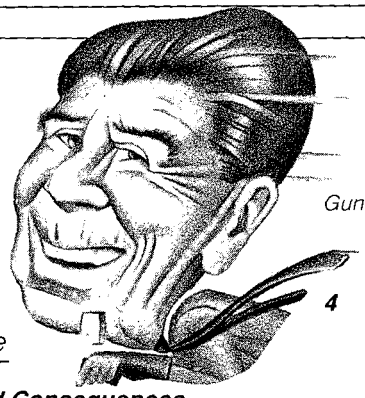

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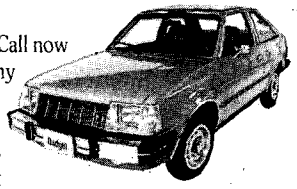

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upfront

Debating Defense, Defending Debate

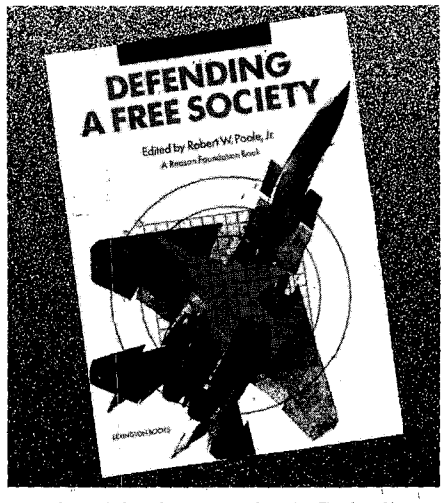
Whenever we publish an article on a controversial issue, we're sure to get a stream of letters to the editor. Several months ago it was a column defending, on federalist grounds, the Supreme Court's decision not to declare Georgia's sodomy law unconstitutional. This time it's Assistant Editor Bill Kauffman's recent cover story, "The New Antiwar Capitalists." The editors have again decided to devote the whole Letters section (beginning on page 6) to the issue to convey a good sense of the range of response.

It's inevitable that people with the same general framework will disagree on particular issues. REASON has a long and, we think, positive tradition of airing in its pages diverse conclusions informed by a broad commitment to reason as the means and liberty as the condition of the good human life.

On foreign policy in particular—a perennially sticky issue within every group across the political spectrum—REASON has published numerous views over the years. To cite a few examples: The July 1977 issue, "The Problem of Defense," was given over to a three-way debate on the pros and cons of intervention. A year earlier there was a ringing defense of nonintervention-ism in "Washington, FDR, and the Convoys." In February 1984 Senior Editor Tibor Machan argued against an isolationist position. So if you're worried—or elated—that REASON has, in publishing Bill's article, adopted one particular conclusion about the U.S. role in the world, consider the context.

An important element of that context, in addition to the magazine's own history, is the work of the Reason Foundation. Besides publishing REASON, the foundation conducts various activities as a public-policy "think tank." One of these, launched in 1982, was an 18-month project to develop an overall framework of defense and foreign-policy principles consistent with the values of a free society.

The 10-member project team included a political philosopher, a historian, an economist, a political scientist, a sociologist, a nuclear-weapons physicist, and myself—an aerospace engineer turned editor, publisher, and president of the Reason Foundation. These people wrote initial papers in their areas of interest and expertise, met for three days of intensive discussion and debate, and then spent more months revising and refining their positions. Remarkably, after a good deal of back and forth, they ended up coming to general agreement about the broad outlines of policy appropriate to a free society. The results



are found in the 1984 book *Defending a Free Society*, published by Lexington Books.

The purpose of national defense, we agreed, is to protect the rights and freedoms of America and Americans—not to make the entire world safe for democracy or other such grandiose objectives. And the means used must be consistent with the principles of liberty—both organizationally (for example, no conscription) and strategically (for example, no use of terror and mass-murder). Some of the implications of these principles were also explored, and continue to be considered by the foundation and in the magazine.

It is within this general framework that "The New Antiwar Capitalists" appeared. Contrary to the fears of some, we are well aware of the serious threat posed by the Soviet Union and its designs on the world. What policy prescriptions follow from that threat is a matter of intense interest here and will continue to be addressed in REASON.

—Robert W. Poole, Jr.

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letters

Furious Assault

Bill Kauffman's article "The New Antiwar Capitalists" (Feb.) is a disturbing, albeit sophisticated, example of America-bashing that has once again become fashionable. Under the guise of concern over defense spending and interventionism, he unleashes a furious assault on U.S. policies in the postwar period and, by implication, on the moral values that have guided them. Not a word is said about the fact that the Cold War was a reaction to the Sovietization by brute force of half of Europe. It is to these U.S. policies that 300 million Western Europeans and countless others, from Greece to Korea, owe their liberty. Nor is anything said about the brutal transformation of Nicaraguan society into a totalitarian clone of the Soviet Big Brother by a tyrannical Marxist regime.

In his zeal to make his particular bias more credible, the author resorts to some rather dubious sources, such as the Center for Defense Information (CDI). Who are these born-again "antiwar capitalists"? It is an organization which for more than a decade has engaged in an uncompromising attack on U.S. defense policies, while belittling or denying the Soviet threat. I challenge Mr. Kauffman to find a single U.S. defense policy CDI liked and a single Soviet arms-control and security initiative they didn't. They managed to blame even the Soviet invasion of Afghanistan on Washington, by arguing that the Soviets invaded because the U.S. had repudiated detente.

CDI has been tireless in a variety of endeavors, from sponsoring anti-NATO conferences in Europe to publishing the locations of U.S. nuclear depots, that have a single common denominator—the U.S. is an aggressive militaristic power, while Moscow is reasonable and peace-loving. Knowingly or not, CDI has astutely played the role of yet another instrument in Moscow's propaganda orchestra abroad.

Isolationism and unilateral disarmament are the logical outcomes of the "antiwar capitalists' " prescriptions. To advocate such panaceas in the name of libertarian values is perverse. In the world in which we live, they are not only detrimental to the pursuit of liberty and suicidal in the long term, but aid and abet the enemies of freedom in the short term.

Alex Alexiev
Santa Monica, CA

Center for Defenseless Inanity?

As always, I enjoyed immensely your February issue. As always, I have a nit to pick. This time I must mention it to you.

To mention the Center for Defense Information and Admiral Gene LaRoque in a reasoned discussion of advocates of rational points of view on defense is to muddy the water beyond repair. It also gives credibility to those who would cheerfully destroy the U.S., at least in my view. This group not only opposes "idiot missiles," tanks, and stationing of U.S. forces in foreign lands—views which are certainly defendable—but they also oppose *any* rational defense of the U.S., including missile defenses.

We might all agree that such turkeys have a right to any kind of asinine or destructive opinion. But it is not necessary to give them a forum without at least pointing out some of their foolhardy notions.

Lannon Stafford
Daily News Digest
Phoenix, AZ

Security Begins at Home

Your excellent account of "The New Antiwar Capitalists" is encouraging evidence that businessmen are bringing their experience, common sense, and leadership to the problem of preventing war. They are the members of our society who know that a sound, productive economy is an essential element of the security and well-being of American citizens.

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letters

One thing is certain. No matter how many weapons we build and how many places we send U.S. troops, we are not going to be able to impose the U.S. economic-political system on the world at the point of a gun. It is time to listen to businessmen when they point out the need to stop wasting our resources on efforts to be the world's policeman and get on with strengthening our own economy and society.

National defense—yes! Preparations to intervene militarily in every corner of the globe—no.

Eugene J. Carroll, Jr.
Rear Admiral, USN (Ret.)
Center for Defense Information
Washington, DC

Like Ike?

"The New Antiwar Capitalists" is a masterpiece in the art of quoting out of context. "Ike's suspicion of the defense establishment makes him a hero to today's antiwar businessmen," says the article. But the main thrust of Ike's farewell address was his warning against the Soviet military threat: "We face a hostile ideology—global in scope, atheistic in character, ruthless in purpose and insidious in method....A vital element in keeping the peace is our military establishment. Our arms must be mighty, ready for instant action."

Later in his address he warned about potential side effects, one being "unwarranted influence" by the "military-industrial complex." Those who refer to this particular warning now ignore the subsequent executive branch regulation, congressional oversight, and media scrutiny of defense procurement.

Nor was Ike an isolationist. Note the almost constant global travels of his secretary of state, John Foster Dulles, his use of the Marines to prevent civil war in Lebanon, and his use of the Navy to prevent war between Nationalist and mainland China.

To make our defense expenditures the same percentage of the budget as they were under Ike, they would have to almost triple, yet Kauffman states that they are "spiraling" and should be cut. Why aren't nondefense spending cuts even mentioned?

Donald D. Holle
Naperville, IL

Draft Taft?

Bill Kauffman's thesis ignores changes that have taken place in the world power structure since 1945. The most ardent noninterventionists of the recent past, Neville Chamberlain, Herbert Hoover, and Robert Taft, were all proved wrong during World War II. The reality of today's Soviet hegemony does not allow us the luxury to ignore assaults on Afghanistan, Angola, and Nicaragua. We cannot stand idle, even if we morally object to war, if we are to protect our freedom.

Senator Taft recognized this need for a different approach after the war. In a 1951 address he stated, "Because of the power

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letters

of Soviet Russia and the Communist philosophy, we must today do everything possible to prevent the extension of that power as a threat to our security, and are therefore interested in protecting liberty throughout the world."

Jerry Hubbard
Anchorage, AK

No Free Trade in an Unfree World

I enjoyed "The New Antiwar Capitalists," but I have some questions. As a consultant and small independent oil operator and capitalist, I too understand the cost of taxes from intervention, defense, and excesses of government. I would certainly like to see business a profit-making, stable enterprise in a free society.

But how do these antiwar capitalists expect to operate or even keep their business if the Soviets have their way? Don't they realize that the master plan of the Kremlin, relentlessly pursued since Lenin, calls for world domination in the Marxist mode?

How do they expect to participate in world trade if the Soviets control the world trade routes? They are now threatening the Arabian Gulf, Suez Canal, and Panama Canal and have designs on the Magellan Strait and South Africa, among other critical geopolitical-economic areas.

How can a noninterventionist policy and anything less than an adequate defense to protect free enterprise in the free world work until the Kremlin adopts at least a semblance of a "live and let live" policy?

Toby Elster
Wichita, KS

Antiwar Double Standard

One can search in vain in "The New Antiwar Capitalists" to find details about these capitalists' efforts to pressure the Soviet Union to refrain from its interventionism or decrease its military spending. What kind of journalist is it who doesn't even ask about this crucial issue? I think the readers of REASON deserve to know if these "antiwar" heroes believe in unilateral actions that will leave the Soviets the dominant military power on this planet. If the individuals highlighted by the article just want to achieve equal and verifiable arms-reduction agreements with the Soviets, join the crowd.

Kauffman's frame of reference is revealed by his need to assert that it is small and medium-sized businesses that most oppose defense spending and foreign commitments. American political dynamics just don't work that way. Right or wrong, small business types are the strongest supporters of defense spending and drawing the line against Soviet expansionism. The big-money boys—and the group Kauffman wrote about fits right into the mold—have always been accommodationist (read that "bootlickers," if you will). The notion that big business is a source of aggressive foreign policy is just so much left-wing garbage.

Dana Rohrabacher
Arlington, VA

Peace and Profits

Congratulations to Bill Kauffman on his informative article. As a scholarly writer on American peace movements, I have been struck by the limited role businessmen have played in questioning the military buildup of recent decades. Certainly, there is no good reason for this. Economic growth flourishes in a climate of peace, rather than in one of war, chaos, and destruction. In hot war or in cold, the conscription of manpower, resources, and profits by the state inevitably undermines a free-enterprise economy. Little wonder, then, that the Japanese, who since 1945 have poured resources into their civilian economy rather than into an expensive military machine, have proved to be the most successful capitalists of modern times!

Lawrence S. Wittner
Albany, NY

Empire of Trade?

Bill Kauffman ignores the role of U.S. multinationals in supporting—not undermining—the status quo abroad; Gulf and Chevron aren't lobbying Congress for aid to Savimbi in Angola, they are pumping dollars into the communist government there. Nor are small businesses some monolith of virtue. They are as likely as others to beg Uncle Sam for favors. And many small businesses are totally dependent on military contracts, often more so than larger, more diversified firms.

As a cure to foreign-policy woes, the article offers "an empire of trade." But in much of the world, there can be no classical trades—company to company, freely acting individual to freely acting individual. When U.S. farmers sell grain to the Soviet Union, the buyer is a police state that pays for its purchases with slave labor and uses its control over the economy to stamp out dissent. Likewise, when IBM sells computers to some authoritarian dictatorship, the computers are paid for by the very taxpayers they are used to oppress.

In its efforts to demonize "interventionism," the article enshrines the status quo, however inimical to individual freedom. The article quotes Martin Stone saying "it's up to the Nicaraguans" to handle the repressive Sandinistas. But with or without U.S. support for the *contras* (who are, of course, Nicaraguans), the Nicaraguan people will not have the chance to decide their own future; that right has been stolen from them by the dictators who rule their country, and those rulers have no noninterventionist scruples about accepting aid from abroad.

One may object to intervention in a particular situation. But in a world in which the enemies of freedom can readily obtain military assistance, to declare a unilateral hands-off policy—regardless of circumstances—is to sacrifice the hopes of the oppressed to assuage the budgets, and perhaps the consciences, of the free. Had the French taken this attitude in the 1770s, there would be no United States, and Bill Kauffman would have nothing to write about.

Finally, the article's *Red Dawn*–like conception of national defense is short-sighted. Small, far-away wars may not be romantic, but they are preferable to large, last-minute wars at home. Preferring to have one's land ravaged by war rather than to fight abroad is always foolish. In a nuclear age, it is truly insane.

Virginia Inman Postrel
Los Angeles, CA

A Call to Arms

The naiveté of Bill Kauffman's article is best expressed by Martin Stone's plea to keep our "hands off" Nicaragua and leave it up to "the Nicaraguans" to solve their

How Executives Overcome The #1 Fear: Public Speaking

You probably aspire to a higher position in your organization, as do most executives.

But, as you've undoubtedly discovered, the more you climb that career ladder or build your own company, the more you are expected to have public speaking ability. And if you own the company, it's crucial.

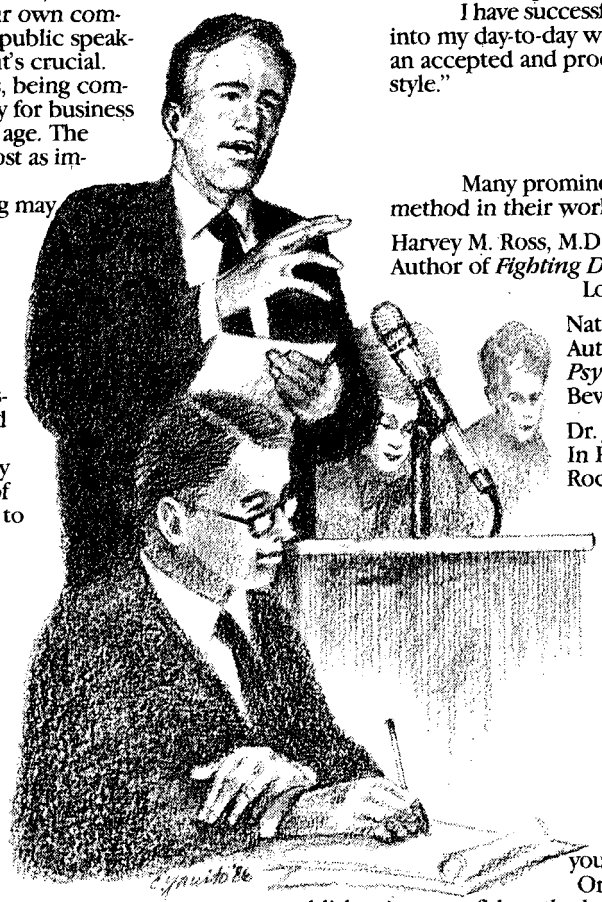
In fact, according to many experts, being competent in oral communication is necessary for business survival in this revolutionary information age. The way you present an idea has become almost as important as the idea itself.

But, the thought of public speaking may make you very anxious. If you dread the thought of public speaking you are not alone. It may surprise you but, the most common fear that many business people and executives share is speaking before a group.

For help, you may have already turned to organizations such as Toastmasters and Dale Carnegie. These groups and others like them can be helpful to polish skills and developing techniques, but they are obviously not helpful if the thought of speaking is so paralyzing it's not possible to even start.

Any fear which is intense enough to control behavior to any degree is considered a phobia by all the professional experts. Up until recently, phobia treatments were painful, time consuming, and expensive. But no longer.

Fortunately there is an answer to this problem that is helping more business people each day. A remarkable new book by Roger J. Callahan, Ph.D., *How Executives Overcome Public Speaking and Other Phobias* can have you comfortable before a group in a very short time – sometimes in just a few minutes.



Dr. Callahan is a prominent West Coast psychologist. He's had a life-long interest in phobias. Even his doctoral dissertation was on the subject. His professional experience and frustration with conventional phobia treatment led him to his breakthrough discoveries.

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Vaughn E. Kraft
Anaheim, CA

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own problems. Tell that to the Soviets, to all the Cubans, PLO terrorists, East Germans, and Libyans in Managua! *Nicaragua is a Soviet colony.* If we abandon the *contras,* we leave Nicaragua to the Soviets, certainly not the Nicaraguans. And a consolidated Sandinista regime—*that* would be another Vietnam, with the most powerful army in Central America by far, just as Vietnam's is the most powerful by far in Southeast Asia. Immediately an attempt would be made to subvert the governments of the rest of Central America, to colonize for Marxism just as Vietnam has done for Indo-China. Next comes Mexico.

Let me mention the obvious from which all libertarian isolationists desperately avert their eyes: *the Soviet Union exists.* Libertarian isolationism should really be called libertarian idealism: idealism being the epistemological theory that reality is a construct of the mind, that unless something is perceived it doesn't exist. *We are at war with the Soviet Union.* How nice it would be if it would leave us alone. But until the Soviet Union disbands its colonial empire, until it renounces Marxism and its missionary call to aggress against any culture or society not taking orders from it, with America as its primary focus and declared enemy, we are at war and the war is worldwide.

Jack Wheeler
La Jolla, CA

A Call to Debate

Bill Kauffman's provocative piece will cause a lot of us to think more deeply about the world situation and how the United States fits into it. Few of us have any fascination with war, and peace is the alternative of choice; but nostalgia is one thing, reality another. What we didn't have in the days of Bob Taft, Andrew Carnegie, and Bertie McCormick was the overwhelming military might of the Soviet Union and that country's open determination to install communist or socialist dictatorships throughout the world.

Most of us are more than weary of providing for the defense of an unappreciative European Community and of Japan, and there is little question but that we need to reexamine how many joint defense treaties we are committed to and how many places in the world we really need to maintain military bases. But in this modern world of global communication, nuclear missiles, weapons in space, and other rapidly developing technologies, isolation spells suicide for our basic liberties and way of life.

It could very well be that the peace movement can be wrested away from the communists, socialists, and their dupes; but for such an effort to catch on with middle America, it would have to be a well-thought-out policy with a sound foundation in reality. What may be needed is for the Reason Foundation and the Cato Institute to jointly sponsor a national convocation of a wide range of groups and interests to agree upon the fundamental policy goals of such a movement and to develop a basic plan to achieve those goals.

The conferees ought to consider, among others, the following possibilities: negotiations with the Soviet Union for mutual withdrawal of military bases and personnel from all other countries, including the captive nations of Poland, Czechoslovakia, Romania, Hungary, etc., and U.S. withdrawal from Europe; putting the Japanese and the Koreans on notice that we would begin a five-year phase-out of providing for the defense of those countries; all-out support of SDI; making it clear that the United States would provide funds and military supplies to insurgents around the world who seek to defeat totalitarian governments of whatever stripe and who are prepared to install governments based on individual liberties and economic systems based on the free market.

C. H. Fields
Alexandria, VA

Mr. Kauffman replies: Space is limited, but let me plug John T. Flynn's *As We Go Marching,* Felix Morley's *Freedom and Federalism,* and William Graham Sumner's *The Conquest of the United States by Spain,* for those who desire immersion in the pacific waters of antiwar capitalism. Scattershot remarks:

Mr. Holle would have a rock-solid point if I'd said Ike was an isolationist; I didn't and he wasn't. Ike's is a curious legacy. On the debit side we find the accumulation of dozens of useless allies and the refinement of covert operations, particularly in the shameful overthrow of Guatemalan democrat Jacobo Arbenz in 1954. To his credit, Ike refused to pull Euro-colonial chestnuts out of the fire at Dien Bien Phu in 1954 and Suez in 1956, and he recognized the imperative of peaceful coexistence. I urge readers to examine the Farewell Address, as well as recent works on the Eisenhower presidency (for instance, Blanche Wiesen Cook's *The Declassified Eisenhower*), to take their own measure of an admirable man denigrated by Cold War liberals.

Assertions that small business has agitated for foreign adventurism are ahistorical. I urge my correspondents to peruse the postwar opinion surveys of the National Federation of Independent Business.

I hate to recite simple truths for which I will be caricatured as procommunist, but Nicaragua is not "a totalitarian clone of the Soviet Big Brother." The Sandinista insurrection that toppled a U.S.-sponsored dictator was an indigenous revolution that today tolerates limited private ownership of land, heavily regulated private enterprise, parliamentary opposition, and a modicum of religious freedom. It has also extinguished freedom of the press, introduced an ambitious literacy-cum-brainwashing campaign, and erected an Eastern European–style police state apparatus. Aren't communism and 1987-model *Sandinismo* loathsome enough without distortion?

The pertinent question is whether U.S. taxpayers should be forced to contribute to a rebel army of dubious commitment to democracy. Failing a *contra* overthrow of Nicaragua's rulers—unlikely for insurgents with modest support inside Nicaragua—a U.S. invasion is the logical last step of the Reagan foreign policy. I believe the cost of a U.S. war in Nicaragua, in men, dollars, and American liberties, will dwarf the very questionable gains. This is called realism; global crusaders on behalf of murky "freedom fighters" are the idealists.

Admiral Carroll's letter summarizes the outlook of the Center for Defense Information. The whispers of treason will always attach to opponents of foreign wars, whether H. L. Mencken, Charles Lindbergh, or Martin Luther King.

Finally, my "America-bashing." This is the favorite epithet of typewriter soldiers who accept—nay, revel in—the U.S. government's imperial obligations and prefer shouts and bluster to civil discussion. I love every inch of American soil; I detest the leviathan state that sullies our proud heritage. The distinction seems to elude some of my critics.

I thank all who took the time to respond to the article. Perhaps we'll meet at Mr. Fields's suggested convocation, which I heartily endorse. I'll buy everyone a beer as we chant the mantra: "I will stop taking myself so seriously."

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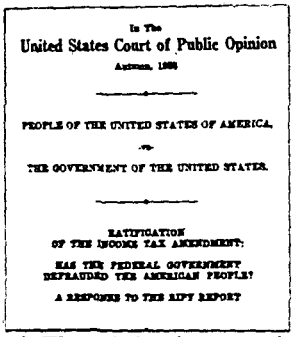
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Let Takeovers Take Over

By Virginia I. Postrel

Competitiveness. It's the latest political buzzword. President Reagan is all for it—he said so in his State of the Union address. House Speaker Jim Wright calls it the "dominant economic issue of the remaining years of the 20th century." Roger Smith, chairman of General Motors, wants "a national commitment to competitiveness, just as we had a commitment to put a man on the moon."

But what exactly is competitiveness? It must have something to do with foreign trade, because whenever politicians and their business buddies invoke the term, they inevitably follow it with a rousing cry for tariffs, subsidies, import barriers, and other signs of trade-deficit hysteria. Never mind that the rest of the world is shipping us real goods in exchange for IOUs. This has got to stop—and "competitiveness" is the way to stop it.

But even as they prate about competitiveness, politicians are trying to clamp down on the very forces that are making U.S. business more competitive. Because, believe it or not, there *is* a sensible way to think about industrial competitiveness. In broad terms, what businesses need to compete is simply economic efficiency.

Efficiency is not a matter of creating jobs—we could do that by outlawing machines and issuing everyone a tiny plot of land and a hoe. Nor does it mean replacing workers with shiny robots that cost more than they save. Simply put, efficiency means making the most from the least, spending as few resources to produce as much (in quality or quantity) as possible.

Profit-maximizing companies try to do just that. But sometimes something gets in the way. More often than not, that something is management.

In a publicly held company, the owners, or stockholders, generally leave operations to managers. This situation, while better than having thousands of shareholders decide how many computers to buy for the accounting department, lets managers *not* maximize profits—at least temporarily.

They may nickel and dime the company with perks. More importantly, they may be reluctant to close down money-losing operations or may build empires by buying new divisions for more than they're worth.

The market has a solution for this problem. Takeovers.

When top managers get too sloppy, outsiders who think they could manage the same resources more profitably will try to buy the company. These "raiders" figure it will be worth more with someone else running it, so they offer shareholders a premium price. And, as often as not, stockholders sell.

In the last few years, some twists have been added to the takeover game. High-yield, high-risk securities called junk bonds have let smaller businesses and even individuals buy out larger companies. Leveraged buyouts, in which the buyer borrows against the company's assets to finance the purchase, have encouraged companies to spin off divisions they couldn't run well and made some managers into owners. And such takeover artists as T. Boone Pickens, Carl Icahn, and Sir James Goldsmith have restructured companies and struck fear and discipline into the heart of many an executive.

The result has been the widespread streamlining of American industry, with many benefits for efficiency and real competitiveness. Take one small example. In 1982, after slowly accumulating a stake in the company, Sir James bought out a sprawling conglomerate called Diamond International. At the time, the company owned divisions selling matches, playing cards, paper egg cartons, and lumber; these products used to grow on, but they didn't make much money.

Goldsmith sold many units to managers, who, once on their own, cut costs and improved production. The egg-carton maker, for example, is now a private company owned by two managers who used to face three levels of bureaucracy between them and corporate decisionmakers. Sales and profits are up and, although they've cut the number of workers from 300 to 275, the new owners haven't closed the plant, as Diamond had planned.

To take a broader view, reports *Fortune*, the productivity of the businesses most affected by mergers and acquisitions—those in mining and manufacturing—has jumped 3.3 percent a year since 1980, three times as fast as that of the overall nonfarm economy. And, says *Business Week*, the rate of return on corporate assets has risen from 4.7 percent in 1982 to 7.7 percent last year, largely because of restructuring.

Yet Congress now seems determined to attack the source of these improvements. Overreacting to the latest insider-trading scandals, congressional leaders are pushing bills that would make hostile takeovers more difficult by wiping out most junk bonds, curbing risk arbitrageurs, and making it harder for potential corporate raiders to acquire stock on the open market—all of which would entrench management and decrease the stock market's efficiency.

We may well end up with new laws ending the restructuring that has restored some of American industry's worldwide competitiveness. And managers like Roger Smith, who recently spent millions of GM dollars to buy efficiency-minded H. Ross Perot out of the company, will come begging for protectionism or handouts. That's a strange way to get competitive. We're much better off with takeovers. ◻

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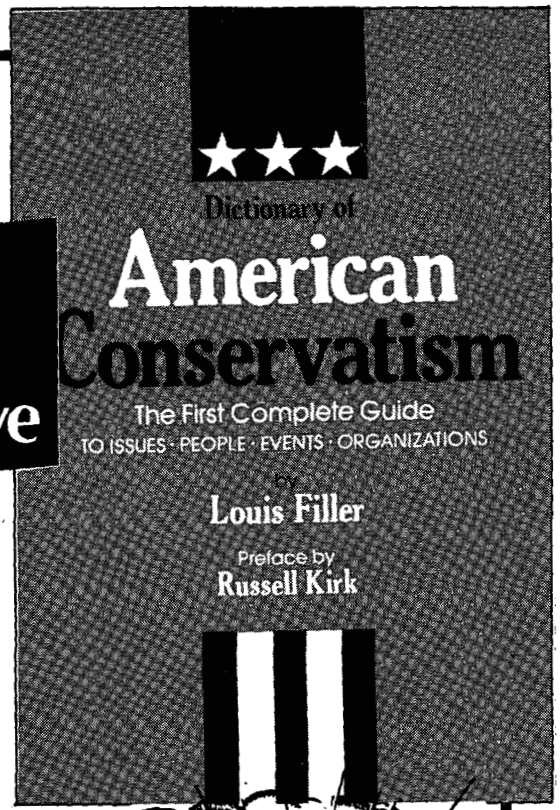

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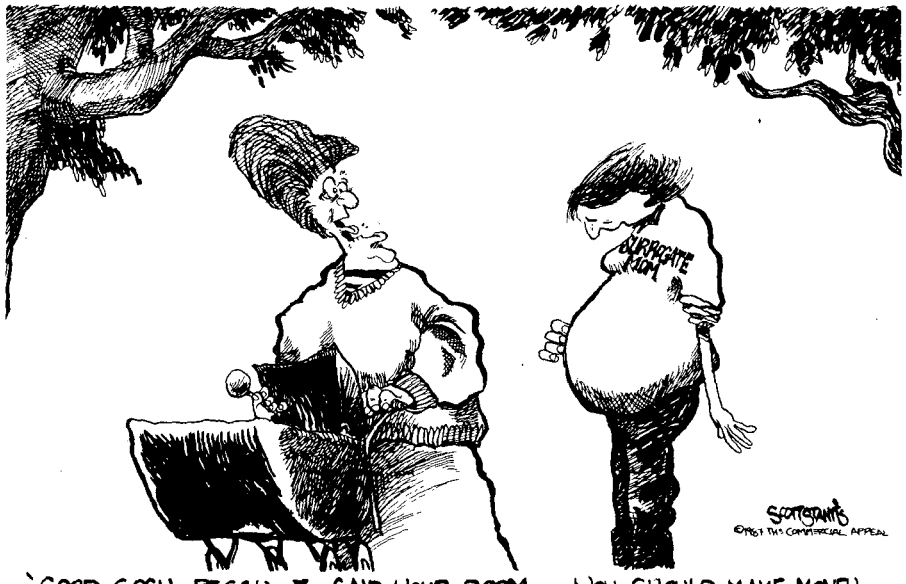
brickbats

Watching television in the Soviet Union is far more exciting than viewing the mind-numbing stuff they put on American tubes. In fact, Soviet TV viewers play Russian roulette every time they turn on their sets. The *Komsomolskaya Pravda* newspaper says the number of fires caused by defective color-TV sets that explode totaled 5,490 in 1985. "People were killed and buildings burned down," the newspaper said. They can't even blame the Japanese. All the sets were made right in Mother Russia.

The philistines at Thomas Jefferson University in Philadelphia want to erect a statue in honor of the medical school's namesake—and to fulfill the city's public-art requirement at the same time. But the city deems a basic bronze statue of Jefferson neither "significant" nor "appropriate." Lee Casper, chairman of the city's art committee, says they'd prefer something more creative, like a "little diorama of the young and old Mr. Jefferson doing 20 different things." If it gives in to the university, the committee fears that every Lincoln National Bank will unveil Lincoln statues to fulfill its arts requirement. "They say it's art," fumes Casper, "but you know darn well" it's advertising. Linda Bantel, the university's art consultant, places some of the blame on Jefferson himself. "It was easier to create art under a theocracy," she says. "You just hired Michelangelo and let him do what he wanted."

Dale Lowdermilk, a Montecito, California, air traffic controller, says every Christmas tree sold in America should come equipped with a fire extinguisher. All baseball fans should be required to don a mask and chest protector before entering the ballpark. And airliners should taxi all the way to their destinations to prevent mid-air crashes. No, he's not entirely serious. Lowdermilk is president of NOT SAFE, the National Organization Taunting Safety and Fairness Everywhere. He founded the group on the premise that everything can seem dangerous to consumer advocates and government bureaucrats but that too much government is the greatest danger. Using sarcasm to chide the regulators, he says, for example, that motherhood should be regulated: If there were fewer births, there would be fewer fatalities.



"GOOD GOSH, PEGGY, I SAID YOUR ROOM... YOU SHOULD MAKE MONEY BY RENTING YOUR ROOM!!!..."

Tempest in a tennis shoe? A Chinese fitness program known as *tai chi* is making some Indonesian officials very nervous. Relations between Jakarta and Beijing are rather strained, and the fitness craze has some Indonesian bureaucrats worrying about subversive Chinese influence. To end the controversy, President Suharto has ordered that the Chinese exercises be given Indonesian names. Linguistic gymnastics, anyone?

The temperature in Prudhoe Bay, Alaska, was a balmy 45 degrees below zero and a 40-mph wind was knocking people off their feet when down in Juneau, state senator Mitch Abood became concerned about Alaska's image. For the good of the state's tourist industry, Abood suggested that words such as *snow* and *cold* not be used anymore. The argument began in the legislature when a resolution asking Congress for federal highway funds referred to Alaska's "harsh environment." Abood suggested *harsh* be changed to *unique*. Sure, that'll bring the snowbirds to Prudhoe Bay in February.

Guess who's coming to dinner? It's the welfare-state version of Mary Poppins: a live-in social worker. Dubbed "Homebuilders" by the Illinois Department of Children and Family Services, the new program is designed to provide round-the-clock control of "problem" citizens. Caseworkers will teach families how to handle their daily problems and make sure they get the counseling and other services they need to stay together. That's the carrot. The stick is that families deemed unacceptable to the social workers may have their children taken away. But state intervention appears to disrupt families rather than keep them together: one study in Britain found that among families supervised by the state, the incidence of "rebattering" of children was 60 percent; among families left alone, the rate was only 30 percent. Maybe "homewreckers" is a better name for the program.

—Mark Edward Crane

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trends

The Times It Is A-Changin'

When we first saw it, we thought it had to be a practical joke played by some free-market imp in the *New York Times* print shop. "The Right Minimum Wage: $0.00," screamed the lead editorial. Now the *Times* is nowhere near as liberal as legend has it. But still, isn't the minimum wage a sacrosanct pillar of the modern state?

Well, not to economists it's not, and apparently their lectures have gradually seeped into downtown Manhattan. The federal minimum wage is a New Deal legacy, created as part of the Fair Labor Standards Act of 1938. The current minimum of $3.35 an hour (it was 25 cents in 1938) took effect in 1981. And there are rumblings in Washington that organized labor will be mounting a major offensive to jack the minimum wage up an even dollar, to $4.35.

No decent person can deny that it's tough to get by on $3.35 an hour. But the minimum wage, like so much well-intentioned social legislation, has pernicious, often-unseen effects. Economist George Stigler predicted, in a seminal 1946 paper, that it would effectively render the least-skilled members of the workforce *unemployable*. Experience has confirmed Stigler's prophecy: the minimum wage harms teenagers with spotty educational records the most, consigning them to the streets rather than entry-level jobs where basic job skills are learned and work habits inculcated.

"There's a virtual consensus among economists that the minimum wage is an idea whose time has passed," asserted the *Times* editors. They proceeded to repeat the new consensus line: "Raise the legal minimum wage of labor above the productivity of the least skilled workers and fewer will be hired."

The significance of the *Times*'s change of heart shouldn't be brushed aside too cavalierly. (In the past, they've expressed cautious support for a lower minimum wage for teens but never questioned universal coverage.) A less adventurous crew would be difficult to find; most of the paper's pontifications recommend years of study, appointments of blue-ribbon commissions, etc., etc., before the slightest nudge of the status quo. So this willingness to scrap the minimum wage may portend a broad, robust debate on a heretofore off-limits subject.

Let's close with a blast from the past from Billy Carter, the best economist of Plains's first family. Ole Billy told *Newsweek* in 1977: "Every time [the minimum wage] goes up, we have to lay off a few more people. I'd rather give these people jobs, but I have to look at costs."

99 Certificates On the Wall

Do you feel better knowing that your doctor is certified by a licensing board? If so, consider this: Two recent studies—from such different groups as the pro-freedom Cato Institute and the pro-old-people American Association of Retired Persons (AARP)—conclude that licensing of professionals costs consumers plenty but does *not* improve service quality.

Cato analyst Stanley J. Gross, professor of counseling psychology at Indiana State University, reviewed previous studies on the effects of entry restrictions in a variety of professions, including medicine, pharmacy, real estate, and law. He found no conclusive evidence to support the rationale for licensing: improving the quality of services and preventing incompetent practices. "Because licensing boards mostly respond to complaints rather than pursue their own investigations, and because there is only a remote chance that any substantial penalty will be imposed, there is no support for the claim that licensing agencies hold practitioners accountable to high ethical standards."

Gross also found that licensing creates such problems as the exclusion of minorities from some professions, the underutilization of less costly paraprofessionals, and professionals' lack of freedom to relocate from one state to another (causing a maldistribution of professional services that especially hurts the elderly, the urban poor, and the geographically isolated). "The professional monopolies that result [from licensing] cause the loss of one aspect of economic freedom—namely, the right to choose an occupation," he notes. "Given the high value that political and economic freedom have in the United States, the burden of proof should be on the states and the professionals they regulate to show that the loss of freedom is justified."

Such a justification certainly can't be found in the AARP's report, "Unreasonable Regulation = Unreasonable Prices." The group analyzed three services of particular interest to older Americans—optometry, dentistry, and funeral sales—and concluded that "consumers pay more than they should for goods and services sold by an artificially limited number of providers."

The report noted that many licensing policies are designed more to guard professional self-interest than to monitor the credentials or competence of licensees. This is especially true of "business practice" or "marketing" restrictions, which are unrelated to the quality of the service provided—prohibitions against advertising, locating in a shopping mall or department store, or being owned by a corporation. Some states prohibit dentists from using introductory specials to attract patients, prohibit funeral parlors and cemetaries from joining together to offer discount packages, and forbid optometrists to practice near commercial opticians (who sell but can't prescribe corrective lenses).

Consumers, not surprisingly, end up paying higher prices for these state-enforced business

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In "Diamond World," author David Koskoff states, ". . . it fooled most of the members of the famous New York Diamond Dealers Club when it was introduced."

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ABC'S 20/20 News Team Fools New York Diamond Mart Experts

The national TV Show "20/20" visited the famous 47th Street Diamond Mart in New York looking for appraisals on some "diamonds." Several experts there looked at the jewels through their loupes (magnifying glass). Without any suspicion, they gave the Van Pler-type counterfeit diamond appraisals of several thousands of dollars before a TV audience of millions of people. How foolish they must have felt when they saw the show.

Top Economist Says Consumers Would be Foolish to Buy a Mined Diamond Now!

A respected authority on investments in diamonds, gold, silver, coins and other precious gemstones (called "hard money"), J.C. Revel, stated recently, "If you are buying a small, mined diamond—less than two carats —and expect it to appreciate in value, you are going to be disappointed."

The reasons the economist pointed out were: one, the resale for used diamonds is very small; two, if you sell to a jeweler or other dealers, they will pay only about 30% of the current retail value; and third, the new Van Pler Simulated Diamond is visually equal, if not superior, at a fraction of the inflated cost of mined diamonds.

"It doesn't make any economic sense for the average person to waste hard-earned dollars on a high priced mined diamond when less than 1% will ever resell the stone," Revel said. (J.C. Revel is listed as a top authority in a recent edition of "WHO'S WHO IN HARD MONEY ECONOMICS.")

Comparison to a Mined Diamond

	Van Pler	Mined
Dispersion (Fire)	.060	.044
Refractive (Brilliance)	2.24	2.41
Hardness	8.0 -9.0	10.0

As you can see, the Van Pler has more fire, almost identical brilliancy and is close to the same hardness of a *mined diamond*. However, the majority of mined diamonds used in jewelry have carbon inclusions and other internal defects not visible to the naked eye. The Van Pler Simulated Diamond is flawless even under a 100 power microscope. Care for it as you would any other fine jewel.

A February 3rd, 1986 Wall Street Journal article stated that the value of investment grade diamonds have dropped an incredible 85% since 1980.

Now you can have jewelry that will truly impress everyone you meet. Imagine a new wedding ring with a big, dazzling Van Pler, or a glittering pinky ring for a man. Or why not enjoy the pleasure of wearing diamond earrings, bracelets or necklaces and no one will know the difference.

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As a giant promotional campaign to introduce the incredible, new Van Pler Simulated Diamond, only the first 5,000 people in each state will be allowed to buy these beautiful jewels at a sensational low price of $25 a carat on a first-come, first-served basis.

The counterfeits were introduced in Europe the same way with tremendous success. Now they regularly retail there at what is equivalent to about $100 U.S. dollars a carat.

Europeans are known for their concern with high quality and value. They overwhelmingly accepted the Van Pler as an excellent value.

Limit Per Customer — No Orders Accepted From Jewelers or Dept. Stores!

There is a limit of two Van Pler Simulated Diamonds per order unless the order is postmarked before June 15, 1987. Orders postmarked before then may request a maximum of 7 jewels.

Since this is a promotional campaign to introduce the Van Pler Simulated Diamond to the nation at a very low price, no orders from jewelers or department stores will be accepted.

New York Magazine Says, More Beautiful than Mined Diamonds!

Anyone who sees this new jewel is astounded at its beauty and brilliance. In fact, New York Magazine went further in a recent article stating ". . . it looks even better than a (mined) diamond."

Expected to be Hottest Gift of the Year!

A spokesman for the company indicated in an interview last week that due to the tremendous acceptance of these jewels in Europe, Americans can expect to respond even more enthusiastically. "I believe everyone has felt how wonderful it would be to give someone you love a beautiful jewel."

More Indestructable Than Mined Diamonds — Lifetime Warranty

The Van Pler is not as brittle as a mined diamond and is resistant to shattering because it was created at the incredible temperature of over 5000 degrees Fahrenheit. The hardest steel melts at only 2,786 degrees F.

The Van Pler Simulated Diamond will last many, many lifetimes without any worries. In fact, you will receive a Lifetime Warranty against any defects.

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Scientists created the Van Pler from an exotic mineral dust which is melted at an astonishing 5,000 degrees F to produce this dazzling diamond copy. The problem that held back the development of the Van Pler for many years was no furnace liner could withstand the tremendous heat. Finally a young scientist got the idea to line the furnace with contaminated Van Pler jewels made in previous attempts. Imagine a furnace lined with jewels. It worked, and now you can have a flawless Van Pler Simulated Diamond. It is cut with 57 facets and polished the same as a mined diamond with the same equipment.

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trends

strategies. For example, the AARP found that optometrists in cities where chain stores and advertising are prohibited charge on average 33 percent more than those in cities without such restrictions. Consumers pay in nonmonetary ways as well. Legal clinics, optometric outlets, and other services may be more accessible in malls or larger stores. In fact, the AARP found "evidence that retail dental practices attract patients who would not otherwise seek dental care."

(In a curious deviation from its own analysis, the AARP calls for *more* government regulation in the hearing-aid market. Even here, however, it says that "professional licensing is *not* the only way or necessarily the best way to protect consumers against abusive practices.")

The AARP concludes that "anticonsumer laws and regulations are resulting in millions of unnecessary dollars being spent for eyeglasses, dental services, and funeral arrangements." Neither the AARP nor the Cato study ventures a guess as to how much we're paying for similar restrictions in the 800 (yes, *800*) other licensed professions, occupations, and trades. But both suggest that we reconsider the government's license to license.

Fairness Is Foul But Fowler Is Fair

Television news is different from newspapers because:

(a) The reporters are better-looking.

(b) It has no comics, only weathermen.

(c) It isn't protected by the First Amendment.

If you answered (c)—which we trust you didn't—you agree with conservative antifeminist Phyllis Schlafly, assorted liberal antinuke protestors, the National Rifle Association, the NAACP, and, of course, the federal government. But the feds, at least, may be changing their minds.

Since 1949, the Federal Communications Commission (FCC) has regulated broadcast content under the unfortunately named Fairness Doctrine. This rule requires stations to air public-affairs shows and cover controversial issues; if audience members don't like what they see or hear, they can complain to the FCC, which will make broadcasters report stories differently.

global trends

And on the Seventh Day He Arrested Shop Owners

TORONTO—An 11-year controversy over Canada's Sunday closing laws has moved from back burner to front and center. The Ontario Retail Business Holidays Act, passed in 1975, aimed "to provide for common days of rest on which retailing will be kept to a minimum and leisure time activity encouraged." The law forces retail business establishments to close *every Sunday*, as well as eight holidays. If a person or firm is convicted of selling goods or admitting customers on any of these days, he can be fined up to $10,000.

Small-business owners are now rustling their sabres in opposition to the act. They are joined by the 64 percent of the public that opinion polls reveal support Sunday shopping. Several challenges were mounted to the act using Canada's 1982 Bill of Rights, but a December 1986 Supreme Court of Canada

ruling upheld the closing laws in provinces that have them.

Alongside legal challenges to the law are acts of protest and civil disobedience. In late 1985, Toronto's Beaches Libertarian Association, headed by Shannon Vale, began petitioning in grocery, jewelry, furniture, clothing, and book stores in the east end of Toronto. They gathered 9,000 signatures for repeal of Sunday closing laws, culminating in a press conference held on a Sunday in an illegally open store.

The politicians, of course, did nothing. They waited for the Supreme Court decision, and when it upheld the laws they thought they were off the hook. But they hadn't reckoned on a single individual of immense courage—Paul Magder.

A furrier who owns a small shop in downtown Toronto, Madger has so far received over 250 police summonses for refusing to close his store on Sundays. He calls the law "an abuse of power," adding that he has "been fighting unions and churches for some time, and now has to fight the government as well."

Just before December's court ruling, all the major department stores in Toronto announced that they would remain open Sundays in defiance of the law. They didn't, and when the ruling was handed down they abandoned plans for disobedience. Not Magder, however. Cryptically, he asks, "If politicians can work on Sunday, why can't I?"

There is a certain irony in this matter. Magder's wife is the recipient of a federal government certificate congratulating her and her husband for serving American tourists—most of whom shop on Sunday! A recent TV interview with Magder brought him to the attention of Americans in border towns like Buffalo and Detroit. He needs their patronage—his fines get stiffer as he steadfastly refuses to kowtow to the government.

—**Bruce Evoy**

Global Roundup

■ *Go, Sato, Go.* Tokyo gasoline retailer Taiji Sato became our May 1986 Spotlight subject for battling his government's restrictions on oil imports. Now Sato has diversified his opposition and is protesting Japan's ban on imported rice. Sato made news recently when he dispensed free samples of California rice to Tokyo passers-by and pointed out to the media that the import's price was only a fraction of the domestic price of $7.90 a pound.

■ *Making waves in the air.* The Nicaraguan *contras* have set up a 50,000-watt shortwave radio station powerful enough to be heard throughout the country. Radio Liberación, the *contra* version of Radio Martí, is directed by the former editor of the banned *La Prensa* newspaper.

The Fairness Doctrine also forces broadcasters to give air time to people who disagree with editorials or even commercials. So accepting a paid political ad is likely to mean *giving away* valuable ad time to those who disagree with it.

Not surprisingly, the Fairness Doctrine has encouraged broadcasters to reduce or water down their news coverage and to refuse to air controversial ads.

We at REASON aren't the first to notice the deleterious effects of the rule. When an antinuclear group complained to the FCC about a Syracuse, New York, TV station's airing of positive commercials about a nuclear plant, the station didn't get even-handed—it got mad. WTHV's owners challenged the Fairness Doctrine on constitutional grounds, eventually dragging the issue to court. Recently, the influential federal appeals court for the District of Columbia ruled that the FCC was wrong in refusing to consider the station's constitutional arguments. While the court itself declined to rule on the doctrine's constitutionality, it asked the *FCC* to consider the issue.

And the FCC is now soliciting public comment on whether continuing to enforce the doctrine would be unconstitutional and against the public interest—conclusions the agency actually reached in a 1985 study. Another recent appeals court decision declared the doctrine a regulation, not a law, despite mention of it in a 1959 statute. (The Supreme Court hasn't decided whether to consider an appeal.) This esoteric-sounding decision opens the way for the FCC to restore freedom of the electronic press without Congress's consent.

That's what Mark Fowler, the free-market-oriented head of the FCC, would like to see. He has called the Fairness Doctrine "constitutionally suspect" and voiced "grave reservations that it is good public poicy." Fowler plans to resign soon, and he apparently would like to see the Fairness Doctrine disappear before he does. Stay tuned.

Letting Them Eat Quiche

What do you do with 260 pounds of leftover cheesecake? Nine dozen separately wrapped and garnished mortadella and provolone sandwiches? Or 12 ham-and-cheese quiches—when the chef forgot the ham?

Instead of tossing out such expensive goodies, more and more restaurants, gourmet food stores, caterers, and company cafeterias are giving them away—to privately run food banks that supply soup kitchens and shelters. Some donors want the tax deduction. But more often the motivation is a combination of sympathy for the poor and distaste for waste.

Food banks, as REASON reported in its August 1983 issue, are among the most promising private-sector alternatives to government welfare programs. These nonprofit organizations tend to be lean and responsive to market demands—including chefs' desire not to see their creations go to waste. As consumers eat out more often or pick up pasta salad at the corner yuppie grocery, the supply of leftovers has risen. For food banks, "the greatest area of expansion is the prepared-food area," Marcia Mellitz, execu-

THE UNCENSORED GRACE COMMISSION STUDY

When the Grace Commission on government waste issued its final report on members of Congress who block attempts to cut spending, it succumbed to intense political pressure and published the volume with all the names deleted. Now the complete unexpurgated report is available in this volume—containing every name deleted from the original report along with a new introduction by the authors and a foreword by Eugene McCarthy.

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tive director of Operation Food Search in St. Louis, told the *Wall Street Journal* recently.

One trendy source of prepared foods is the catered business lunch. City Harvest, a New York City food bank, collects more than 3,000 pounds of food a week from such Wall Street giants as Chase Manhattan and Merrill Lynch. But City Harvest will also collect donations as small as five pounds from such fancy-food purveyors as Let Them Eat Cake, a bakery that sells to top restaurants. "The worst thing for a person in my position is to feel that something is thrown away," Let Them Eat Cake owner Gloria Tariago told the *Journal*. "There's too much time and creativity involved."

Not surprisingly, shelter residents and soup-kitchen patrons are happy for the change of pace. "Regular shelter food is institutional food, like they use powdered eggs," a young mother told the *Journal*. "Maybe the people at City Harvest don't make the food themselves, but it tastes fresh." And it sure beats government cheese.

Milestones

■ *Let it flow.* Liquor and milk prices in New York are likely to tumble, thanks to the recent demise of price and entry restrictions. The Supreme Court struck down a state regulation that required liquor retailers to charge a markup over wholesale of at least 12 percent. Meanwhile, a federal judge overturned a state law allowing authorities to restrict the entry of new competitors into the milk market. The ruling is a victory for Farmland Dairies, a New Jersey dealer prepared to undercut wholesale milk prices in New York City by 40 cents a gallon.

■ *Supreme Court overruled.* Can the government close an adult bookstore because patrons were found engaging in sex on its premises? Although the Supreme Court said the shut-down didn't violate the First Amendment, it sent the case back to the New York courts for a ruling on *state* constitutional issues. And under the New York constitution's guarantee of free speech, ruled the state court of appeals, the bookstore could not be closed. "The language in some state constitutions is much more specific than the First Amendment," observed a lawyer for the American Booksellers Association.

—Robert W. Poole, Jr., Lucy Braun, Bill Kauffman, and Virginia I. Postrel

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Never before in commodities has so much been available to so few

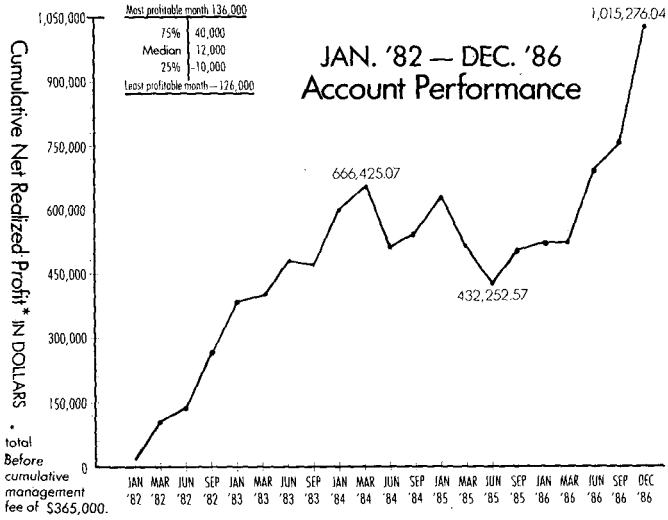
You may gain from helping NCZ with the problem raised in this exchange between two Chief Executive Officers, Victor Niederhoffer of NCZ Commodities, Inc. and Tim Horne of Watts Regulator.

January 2, 1987

You visited 5 years ago Tim:

to open NCZ's first managed commodity account with a $200,000 initial contribution. I told you then that your results would hinge on whether anchovy prices in Peru are intimately related to interest rates in the U.S. **Five years later, our guiding idea remains that all commodity movements around the world are inextricably interrelated with predictable leads.**

You will note on the graph the progress of your account since our fateful meeting.


Most profitable month 136,000
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JAN. '82 — DEC. '86
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750,000
600,000
450,000
300,000
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JAN '82 MAR '82 JUN '82 SEP '82 JAN '83 MAR '83 JUN '83 SEP '83 JAN '84 MAR '84 JUN '84 SEP '84 JAN '85 MAR '85 JUN '85 SEP '85 JAN '86 MAR '86 JUN '86 SEP '86 DEC '86
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Your net profits before management fees rose relatively steadily to $666,000 during the first 2¼ years through March 30,1984. But then, we went through a dry spell. During the next fifteen months, we lost one-third of our gross profits. Since our management fee of half the profits above a 15% per year return had already been deducted, your net gain as of that time, after all deductions was only $173,000.

Your account showed relatively steady progress since that time. The gross profit as of year-end 1986, is $1.24 million. After all deductions, you are left with $860,000, a profit of $660,000 or 65% average simple gain per year on the initial investment.

Inspired by the fine performance of your father's account, four other members of the Horne family opened accounts with us. The accounts, on average, were open 339 days, had capital contribution of $125,000 and showed an average net profit after all deductions of $119,000.

You will be pleased that the fine performance of your accounts was shared by almost all other participants in the NCZ managed account program who followed you. **Of 70 customers since inception, 58 showed profits.** The total losses of the 12 who left us unprofitably total $153,757.22. The total of the other 58 profitable accounts showed profits of $15,048,986.56.

If we had the courage to speculate with your account according to the same risk/reward parameters as used by our colleagues in the field, your actual profit of 300% would be at least 10 times greater.

Unfortunately, I must point out that during the five-year period that your commodity accounts have been active with us, other commodity advisors have not done well at all. The total average performance of all publicly-held firms during the last five-years appears to be about -3%.

Our research effort has been expanded recently. We discovered that **one fruitful way of looking at commodities is to treat them as teams competing in a pennant race.** We have also developed a new technique of regression analysis relating to the quantum nature of prices.

Tim, you know that the guiding view of NCZ has always been the creative power of the individual as an engine for increasing material well-being and personal freedom. You be the judge of whether this philosophy, our data base of continuous within day prices stretching back 10 years, and our research techniques, will contribute to future consistently above average profits for customers.

In addition, we have 25 full-time employees in the commodities division with just 20 full-time accounts. Never before has so great an input at the employee level been available to service so few on the receiving end of managed account service.

This brings us to a problem we're having, Tim on which we would appreciate your help. We haven't been able to devote much effort to promotional material, because we are unwilling to charge our customers a sales or administrative fee of any kind. At present, we'd like to add a few more eagles to our managed account program. These eagles should be good losers, able to afford substantial losses of at least 50% of their initial six figure investment. Can you assist us in finding some new customers?

Is anyone out there right for us? If so, they can write our President, Mike Desaulniers at **NCZ Commodities, Inc., 49 W. 57th St., New York, NY 10019, or call 1-800-327-2525 or 212-935-1977** for an update.

Thanks for your help, Tim.

Sincerely,

Victor Niederhoffer

Victor Niederhoffer
Chairman

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Chairman and Chief Executive Officer

Dear Victor: January 6, 1987

Thank you for your letter dated January 2, 1987 covering the history of our business transactions.

What you say about the fine overall performance of the five Horne funds you have been associated with is true indeed. Relative to other commodity advisors during this period, your performance has been superb.

I've found you to be a good and responsible business associate during the five years. When you made money, you were modest, and when you lost, you were able to accept the blame and more importantly, plan for improvement. Throughout, you always strived to improve, as I understand was your wont in your squash career also.

As the Chief Executive Officer of a publicly held firm, I do not have the requisite time to devote to the day-to-day management of my personal investments. I must entrust these responsibilities to people in whom I have the utmost confidence based on historical evidence. You fit well into this category.

While it would be inappropriate for me to act as a salesman for you, I will, with pleasure, allow you to disseminate your letter and my response to the good people who read Reason magazine.

Sincerely,

Tim Horne
Chairman

MAIL ORDER MALL℠

A SELECTION OF USEFUL AND IMAGINATIVE PRODUCTS

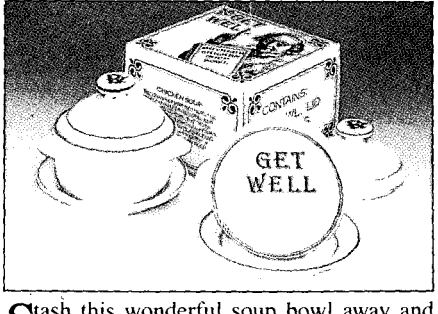
THE MAGICAL SPARE BED

It's almost like pulling an extra bed out of a hat. Unlike most spare beds that gobble up storage space and are unwieldy to move, this one rolls down to fit a 36"-long, 3"-diameter canvas case, to stash in a closet corner, car trunk, camper, anywhere. Yet it unrolls in minutes to a full-size 27" x 73" bed that will even accommodate 6-footers, supports up to 500 pounds and is comfortable to boot. The secret's in the inventive construction: a cotton canvas sling is supported on laminated steel legs with 6 steel springs for cushioning and stability on rough ground. Toss the carrying strap over your shoulder and go – camping, beach, poolside; the 10" legs keep it off damp ground and sand. Of course, this bed is indispensible at home, country home, dorm – even for kids in motel rooms. A superb value at **$40.00** ($5.95) #A1745.

FREESTANDING CLOSET ORGANIZER™

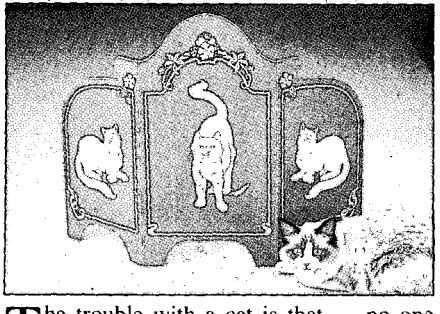
Orderly, workable, sane closets have previously been achievable only by units requiring elaborate installation – difficult, time-consuming and sometimes *too* permanent. A better solution is this entirely freestanding organizer; of sturdy enameled steel and extra-rigid construction, it assembles easily and needs no fastening to walls. At 80" tall, it fits under the existing shelf of most closets (see photo) and adjusts from 42" to 62" wide. Four compartments for hanging apparel of various lengths maximize space usage; three no-snag shelves adjust at 3" increments. Easily moves from one closet or house to another and provides an instant "extra closet" in attic, basement or dorm. **$80.00** ($13.95) #A1729X.

GIFT PRESCRIPTION



Stash this wonderful soup bowl away and you won't go crazy when you need a get-well gift for someone special. The recipient, who will undoubtedly have *enough* flowers already, will love this practical, cheerful remembrance. The ceramic lug soup bowl (12 oz.) has its own 6¼" plate and lid, in charming gift box complete with mother's chicken soup recipe. **$12.00** ($2.95) #A1732X.

THE PRIVATE KITTY

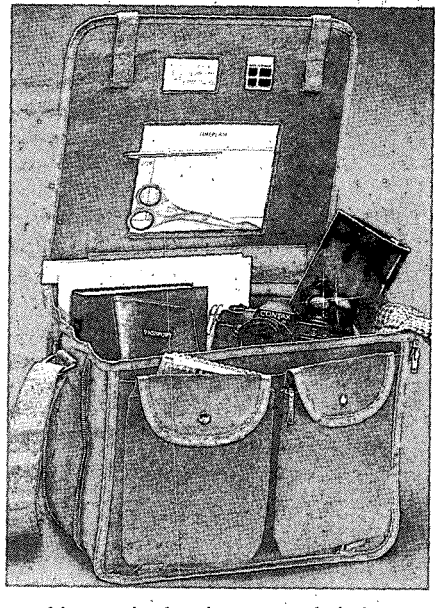


The trouble with a cat is that ... no one wants to look at a litter box. And cats like a little privacy, too. This practical and decorative answer is charmingly styled like an old-fashioned dressing screen, in chip- and peel-proof royal plastic. Arched to 20" high, it's 29½" wide and fits around any existing litter box – advantageous for "senior citizen" felines and all who resist change. **$15.00** ($3.95) #A1748.

KETTCAR FOR PEDAL POWER

Kids will love the Kettcar "Monaco" – it's turbocharged, *foot* injected with over*hand* "powerplant" and four-wheel drive that takes it from 0 to 10, fast. Parents will appreciate its German engineering and durability. Not plastic but rugged tubular steel finished with epoxy enamel, it's designed to stand up to abuse from kids from 3 to 9 years. It grows with them, too: the molded seat adjusts to fit. Sport wheels have long-life, wide-tread rubber tires, the chain mechanism is safely enclosed, there's a racing style steering wheel and pull-up hand brake. Just the vehicle for exercise and adventure. **$70.00** ($15.95) #A1744.

BOOKBAG



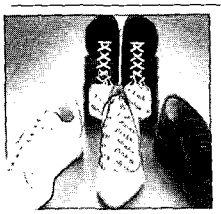
This oversize bag is an overwhelming success with photographers, artsists, students, musicians, dancers, opera singers, nuns, poets, duck hunters, cyclists, plumbers, teachers, reporters and travelers...because it's a versatile labyrinth of roomy pockets. Made of water resistant canvas-like fabric that wears like iron, the bookbag has an unusual zipper design that enables the bag to expand to double its normal width—to a full 8 inches. It also has two outer pockets in front and a large back pocket. An adjustable 2" wide strap makes the burden easier. Grey only #A1707. **$29.00** ($4.95).

MAIL ORDER MALL℠

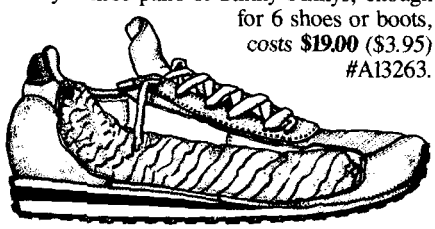
DUST-MAGNETS™

Lambswool contains a natural static charge that makes dust literally leap off surfaces. Our dusters are imported from New Zealand where climate conditions grow the fluffiest, highest quality lambswool in the world! Our all-time favorite, the standard 27" long duster costs only **$8.00** ($1.95) #A1351. We also offer a set of four lambswool dusters: our popular 27" duster, our telescoping duster which extends to more than four feet—lets you reach high corners, top shelves, overhead lights and collapses to 28", and two mini-dusters for extra fragile objects **$16.00** ($2.95) #A1352.

STINKY PINKYS



Fortunately, human anatomy is arranged so the nose and the feet are separated by the greatest possible distance. Even so, the twain do occasionally meet — and the nose is usually not delighted to know of the foot's exertions. Now just put a Stinky Pinky "sock" in each shoe and overnight odor is gone, absorbed by the special blend of all-natural earth materials. Works in running shoes, sneakers, boots, leather shoes, anything that goes on your feet. And keeps on working, too—just put Stinky Pinkys out in the sun for a day every three months or so to restore their odor-catching ability. Three pairs of Stinky Pinkys, enough for 6 shoes or boots, costs **$19.00** ($3.95) #A13263.

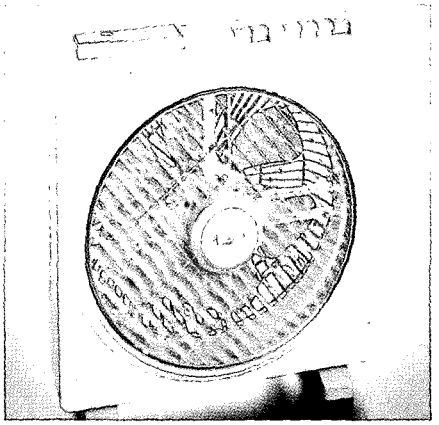


IT SWIVELS!

Backless "Back" Chairs have solved the age-old problem of proper seating, aligning the body on its natural axis so that sitting does not stress spine or back muscles. The redistribution of body weight is dramatically more freeing, natural, comfortable. But until now you had to give up mobility to sit this intelligently—these chairs were unidirectional and if you needed to change orientation you had the awkwardness of moving the whole chair. Finally it swivels! In its brand-new swivel incarnation, the Back Chair is suited for use at any work station, desk or table. The reinforced oak 4-star base has commercial-quality dual-track casters for easy manueverability over carpets or floors. Effortless swivel action. Manual height adjustment. Gray poly cotton fabric over plus cushion. This is a new twist on a good idea and until you use it you don't know how relaxed and productive you can be sitting down. The price is a nice turn to, only **$69.00** ($11.95) #EVA1337. Minimal assembly.

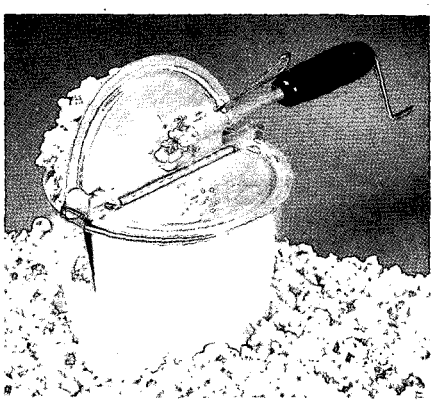
FAN-TASTIC

All fans circulate air, but this is the only fan that circulates air in all directions at once. Wall to wall, floor to ceiling. As the fan operates a unique rotating grill directs the air flow through a 360° sweep, so it is not blasting out in a single current. Pushbutton controls turn grill rotation on/off, select among three fan speeds. This is a year-round fan, ideal for keeping heat off the ceiling in winter, moving cool air off the floor in summer. Measures 16"×18½"×7" slim (12" fan diameter), weighs only 8 lbs. for easy portability. Quiet operation, UL listed, one year limited warranty, costs only **$49.00** ($6.95) #A1590.



GOURMET POPCORN, WITH OR WITHOUT AMAZING FLAVORS

Moisture inside the kernel is what makes popcorn pop. The higher the heat, the stronger the "explosion" of moisture vaporizing and the larger, tenderer, fluffier the resulting popcorn. Most electric and hot-air poppers "puff" the corn more than they "pop" it, leaving it tough with hard centers. This flat-bottomed stove-top popper reaches 475° (electric poppers typically operate at 350°) and pops full in two minutes with 4 quarts of the best popcorn you ever tasted. Stirring paddle with through-the-handle crank virtually eliminates burnt or unpopped kernels. Wooden handle for safe grip, two dump lids. Pop without oil for delicious diet popcorn, 325 calories per giant bowl. Produce tender, fluffy, old fashioned movie theater popcorn, **$25.00** ($3.95) #A1503. For taste-tempting flavored popcorn, a selection of 3 gourmet flavors—raspberry, praline and caramel—enough for 6 more gallons of popcorn, costs **$10.00** ($1.95) #A15043.



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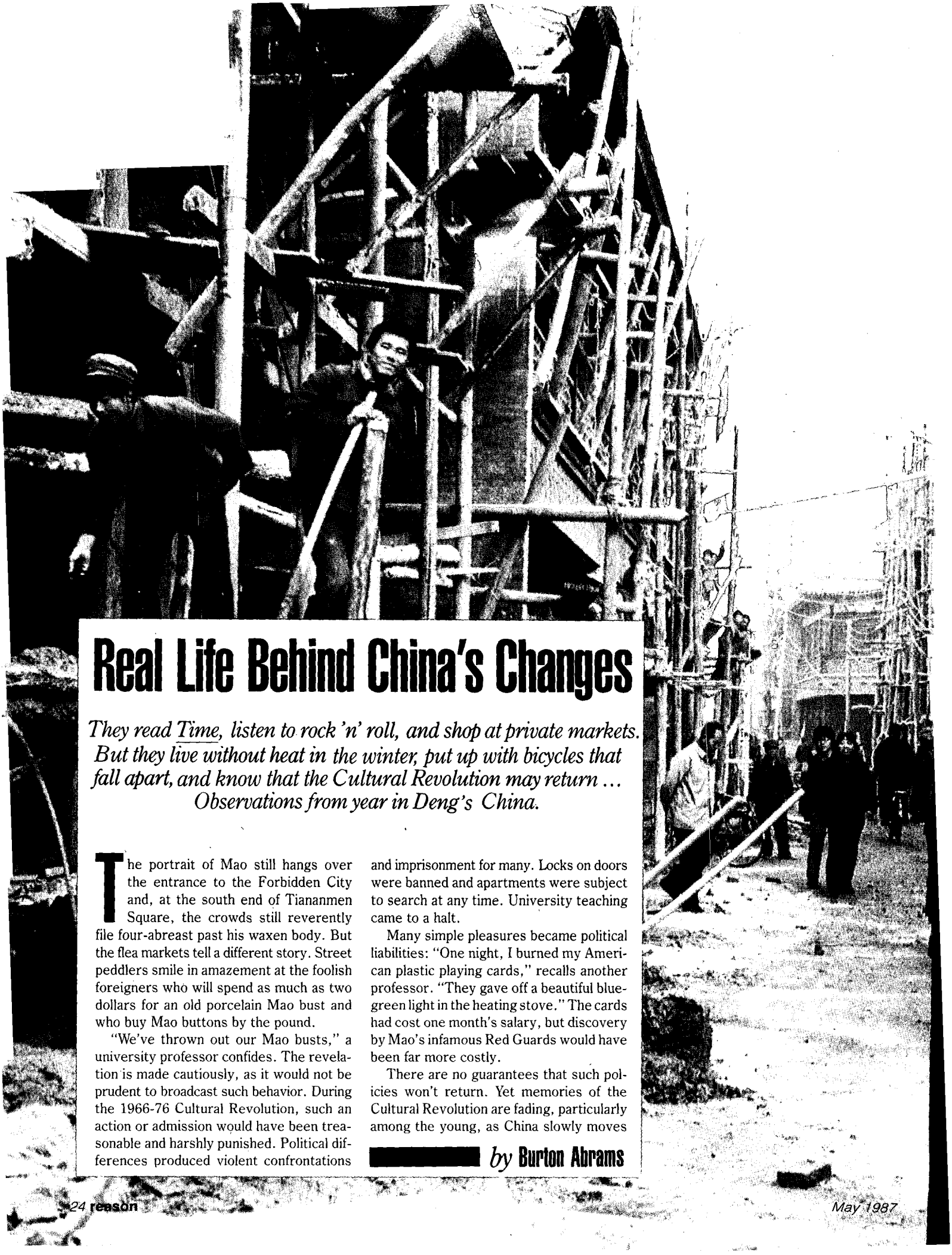


Real Life Behind China's Changes

They read Time, listen to rock 'n' roll, and shop at private markets. But they live without heat in the winter, put up with bicycles that fall apart, and know that the Cultural Revolution may return ... Observations from year in Deng's China.

The portrait of Mao still hangs over the entrance to the Forbidden City and, at the south end of Tiananmen Square, the crowds still reverently file four-abreast past his waxen body. But the flea markets tell a different story. Street peddlers smile in amazement at the foolish foreigners who will spend as much as two dollars for an old porcelain Mao bust and who buy Mao buttons by the pound.

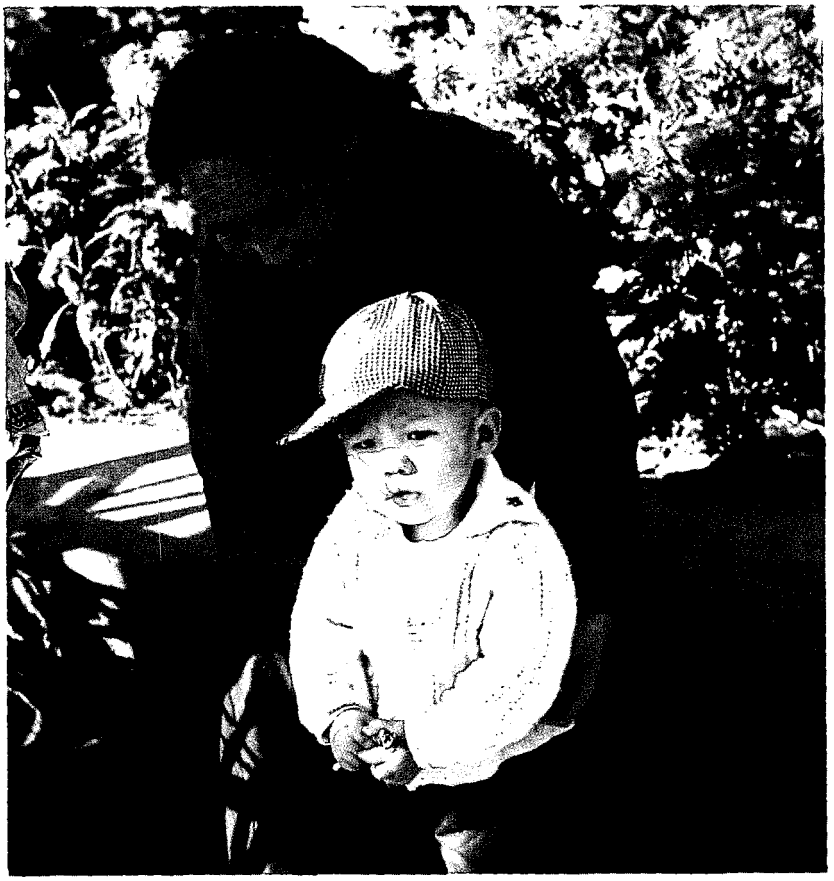
"We've thrown out our Mao busts," a university professor confides. The revelation is made cautiously, as it would not be prudent to broadcast such behavior. During the 1966-76 Cultural Revolution, such an action or admission would have been treasonable and harshly punished. Political differences produced violent confrontations and imprisonment for many. Locks on doors were banned and apartments were subject to search at any time. University teaching came to a halt.

Many simple pleasures became political liabilities: "One night, I burned my American plastic playing cards," recalls another professor. "They gave off a beautiful blue-green light in the heating stove." The cards had cost one month's salary, but discovery by Mao's infamous Red Guards would have been far more costly.

There are no guarantees that such policies won't return. Yet memories of the Cultural Revolution are fading, particularly among the young, as China slowly moves

[redacted] *by* **Burton Abrams**

Mao's image can still be seen in streets like the one above, in Chengdu, and in restrictions on personal freedom. At right, a billboard exhorts parents to have only one child, even if it's a girl. Below, a grandmother cares for her grandson while his parents work.



toward a more open society. In the name of "modernization," the regime of Communist Party head Deng Xiaoping has freed up many segments of the economy, encouraged tourism and scholarly exchanges, and loosened a few restrictions on personal freedom.

As a visiting scholar, I recently spent a year teaching the fundamentals of capitalism—finance and economic theory—at a Chinese university. I found the country torn between its Marxist past and the lure of freedom and prosperity. Change is a matter not only of ideology—communism versus capitalism—but also of competing interests—entrepreneurs versus politicians, city dwellers versus farmers, those with influence versus those with money. As the recent student protests and the crackdown that followed have demonstrated, which path China will take is still an open question.

One of the most dramatic facts that confronts a visitor to China is the country's extreme poverty. Despite its nuclear technology and satellite-launching capabilities, China is indeed a Third World country. People carry enormous loads on hand-pulled carts, and even moving vans are usually tricycles with flatbed platforms. In urban areas, the residential streets are thick with the smoke from the coal briquettes used for heating and cooking. When my laundered shirts were hung outside, their pockets often ended up with an inch of coal dust in the bottom.

Bicycles appear ubiquitous on the teeming streets, but there is actually only one bike for every six Chinese. Cars, of course, are scarce, and people who drive such precious capital equipment have great prestige. One morning, a fellow faculty member and I took the university car to the train station to pick up a package of books; on the way back, the driver detoured, parked the car, and went into a restaurant to eat breakfast. "In China," said my companion, "the drivers are the bosses." Tour bus

drivers, I found, would take an entire busload of people on a detour while they went to buy tangerines.

According to government statistics, only one family in 10 among those of *above-average* income has a refrigerator. Heat, hot water, and even indoor plumbing are luxuries; a block of apartments typically shares a concrete-block communal outhouse, usually with running water, however. University dorms do have bathrooms. But few students—who receive free tuition, room, and board—want to step from a cold shower into a drafty, unheated bathroom in the wintertime, so they make do with sponge-baths.

China's reported per capita income is $300 a year. Workers in international hotels that charge foreigners $100 a night earn about $30 a month, with most of the difference going to the government—surely one of the highest tax rates in the world. A lecturer in the university can expect to make $25 dollars a month, a full professor about $70. One well-published Chinese professor invited me for dinner at his apartment. We all assembled in the one bedroom where the coal-fired barrel stove was located; the floors, like those of most Chinese homes, were bare concrete and the room was sparsely decorated—a legacy of the Cultural Revolution, when such bourgeois frivolity was condemned. While heading for the bathroom, I observed that the rest of the apartment was unheated and that I could see my breath. No hot water was available, but the apartment did have a bathroom and a refrigerator.

While rent on such a subsidized cold-water university flat is low—about $5 per month—and some food items are subsidized, precious little money is left over for discretionary purchases. And Chinese consumers also suffer from the shortages and shoddy goods typical of a command economy. Shopping in a regular Chinese store, I paid $20 for a feather-filled winter jacket, only to have the zipper break as soon as I tried it on at home. I took the coat back to the store and exchanged it for a new one. Again, the zipper immediately broke. Having learned my lesson, I decided to have the zipper replaced by one of the many street tailors who repair clothing and shoes on pedal-powered sewing machines outdoors. Many stops later, I concluded that China doesn't allocate coat-sized zippers to tailors—they only had zippers for pants.

In an effort to remedy such shortages and quality problems, the government has adopted some market incentives. The most successful and widely publicized program in the modernization drive has been the agricultural sector's "Responsibility System." After years of collectivized farming, the government began in early 1979 to lease land directly to individuals. Each farm is required to earmark a portion of output for sale to the government at an artificially low price, but the farmer owns any additional output. The Chinese government estimates that the responsibility system has produced double-digit real annual growth in agricultural output since its introduction. Agriculture accounts for 60 percent of employment, so the real output increases have had a broad beneficial impact.

Free markets for the agricultural "surplus" are flourishing. Typically, they stretch for several blocks outdoors, and the best offer a wide variety of food, as well as clothing, bicycle parts (frequently needed), and miscellaneous items. The main market in Guangzhou (Canton) is particularly famous for its live delicacies: eels, snakes, fish, cats, and dogs.

The largest markets, such as the one in Wuhan, may stretch for several miles. Sellers occupy both sides of the street, displaying their wares on tables or on canvas on the ground, while buyers struggle through the crowded middle. In one popular market in Tianjin, I became gridlocked in a sea of humanity and bicycles and, as is so common in China, had to push and shove to free myself from the crowd.

Institutional change usually produces losers as well as winners, and China's reforms have not proceeded without opposition. Initially, agricultural decontrol met with criticism and resistance from urban consumers accustomed to artificially low prices. When the Responsibility System was instituted and price controls came off, agricultural prices soared. But the price hikes fueled subsequent supply increases and prices later retreated. The booming and prosperous farm sector has provided dramatic testimony to the power of free markets and economic incentives.

I found the country torn between its Marxist past and the lure of freedom and prosperity.

Major reforms weren't extended to manufacturing until late last year. Previously, shortages existed for many of the better goods. To ration the goods, purchase coupons giving the bearer the right to buy goods at the controlled price were often used. These coupons were distributed to work units, and managers would determine which workers merited the coupons as bonuses. My Chinese graduate students told me that there was an active black market for these coupons, and they seemed as aware of the current black-market price of a coupon as our western economists are of the Dow Jones Industrial Average.

While the coupons succeeded at rationing goods in short supply, they did not provide any economic incentives to the factories to produce more of these goods. Since these factories could not raise their prices, they instead cut costs by reducing quality. For example, bicycle makers only hand-tightened nuts and bolts, leaving purchasers to complete the assembly. In this way, the manufacturers raised the quality-adjusted price to consumers by selling incompletely assembled bicycles at the controlled price.

Even the most sought-after bicycles had quality problems. I purchased my top-of-the-line "Flying Pigeon" at the Tianjin Friendship store and soon learned of these problems from first-hand experience. Riding my bicycle back to campus, I lost two nuts along the way. This pattern was to repeat itself: bicycle bells flying apart when used, pedals falling off or apart at inopportune moments, flat tires from leaky valve stems, and so on. At $60, my bike was far out of the reach of most Chinese, and, as a foreigner, I didn't have to secure a purchase coupon to gain the right to buy it.

In late 1986, price controls were finally lifted on some 750 commodities, including bicycles, hardware, paper products, toys, and cosmetics. Not surprisingly, the prices for the best-quality products (including Flying Pigeon bikes) rose sharply. But, reported the *New York Times*, deregulation also caused the prices of many shoddy items to fall. With the price controls removed, consumers voted with their money. The manufacturers of substandard goods

PHOTOGRAPHS • BY BURTON ABRAMS

were punished by the market, not—as a *China Daily* article had urged a year earlier—with the prison terms of a command economy.

Along with agricultural and manufacturing reforms, the Chinese are seeking to develop a capital market. Several factories already have issued bonds and "stocks" that may incorporate some profit sharing but don't include ownership rights. The government seems willing to let the market take a greater role in allocating capital, although officials who talk about permitting stockholders to actually acquire ownership rights are still considered radicals. And private ownership of capital equipment is still restricted to a very small scale, such as the three-wheel motorcycle-type tractors owned by many farmers.

But the old ways of rationing goods have even infiltrated China's early efforts to develop a capital market. In the days before price deregulation, I was surprised when a teacher from Hong Kong told me he had seen people queued up one cold December morning to buy two-year nonnegotiable bonds paying less than the interest rate on bank savings accounts. By talking with bank officials, I soon solved the mystery. The bonds, it seemed, were issued by a bicycle factory, and attached to each one was a coupon giving the bearer the right to buy a bicycle at the official price. Adding in the black-market value of such a purchase coupon, the bonds were easily yielding an effective 20 percent interest rate, compared to their 6 1/2 percent nominal rate. Compared to the old system of political connections, even such a cumbersome mechanism is more likely to allocate capital to efficient factories with products in demand.

The reforms have produced substantial improvements in the Chinese economy's performance. According to government statistics, real national income increased almost 10 percent annually from 1981 to 1985. Construction cranes dot the Beijing skyline, putting up commercial and apartment buildings. More cars are beginning to appear on the city streets.

But problems are arising that threaten

Capitalist Revolution?

October 1, 1949: Mao proclaims China a communist state.

1949-53: Communists consolidate power.

1954-57: Transition to socialist, collectivized economy, Soviet-style industrialization through central planning.

May 1956: Collectivization largely accomplished. Mao urges flourishing of ideas: "Let a hundred flowers bloom together, let a hundred schools of thought contend." Little immediate effect.

May 1957: Hundred Flowers period. Intellectuals criticize Communist Party and socialism. "Flowering" lasts five weeks. Mao clamps down.

June 1957: Antirightist Campaign to squelch criticism of socialism.

1958-60: Great Leap Forward. Attempt to instill and implement Communist ideology—with disastrous economic consequences. Man-made famine kills 20 million to 30 million people.

1961-65: Economic development reemphasized. Merit systems and small-scale private plots permitted.

1966-76: Cultural Revolution. Mao mobilizes masses in Communist fervor. Intellectuals purged, all revisionism denounced under leadership of Red Guards and

People's Liberation Army.

April 1969: Cultural Revolution declared ended but continues. Educational institutions almost cease operation. Economy stagnates. Cultural Revolution power base remains intact until Mao's death.

April 4, 1976: "Tiananmen incident." First mass demonstration. Demonstrators support the late Zhou Enlai (believed to have tried to end the Cultural Revolution), rally against the ruling "Gang of Four," headed by Mao's wife.

September 1976: Mao dies. Power struggle between the Gang of Four and moderates, including Deng Xiaoping.

October 1976: Gang of Four arrested.

August 1977: Deng Xiaoping begins to consolidate power.

March 1978: Deng urges intellectuals to "liberate thought." Pledges they will

Consider the Context.

not be discriminated against.

Mid-1978: Democracy Wall created. Posters affixed to it criticize Mao, call for political and economic change.

October 1979: Contradictory actions—leader in democracy movement sentenced to 15 years; Deng calls for "freedom of creative speech."

November 1979: Democracy Wall closed down. Liberalization opponents begin "spiritual pollution campaign."

February 1980: Deng announces Four Modernizations—of agriculture, industry, science, and the military.

1982: New constitution adopted, further consolidating Deng's power.

1983: Opponents campaign against "bourgeois liberalization."

1984: Communist Party Central Committee endorses Deng's Four Modernizations program, with its liberalizations.

1985-86: Student democracy movement flourishes, appeals for political reform.

1986-87: Backlash against political reform and student democracy movement. Spiritual pollution campaign revived in the press.

—Lynn Scarlett

to derail the modernization drive. The Chinese now find themselves wrestling with the same equity-versus-efficiency dilemmas found in the West. In China, however, these questions are complicated by an officially sanctioned ideology derived from the works of Mao, Marx, and Lenin. Make no mistake, *capitalism* is still a dirty word in China.

The reforms have led to much greater disparities in money-denominated personal income. Real incomes have never been equally distributed in China, but income differences were more disguised under the old system. Under a price-controlled command economy, contacts or "pull" (*guanxi*, in Chinese) play a crucial role in determining an individual's real income. Access to purchase coupons, a contact to get your child into college, "free" meals in restaurants paid for by your work unit, or a bonus vacation at a cadre resort were important determinants of real income.

Now, price decontrols have raised the relative importance of money income and have produced quite visible shifts in real incomes. They have, for example, completely wiped out the value of the purchase coupons my students so eagerly tracked on the black market. The Chinese press reports the spread of the "green-eyed disease." The financial successes that the reforms have spawned are producing envy and resentment from the less successful.

After the introduction of the responsibility system, the government encouraged the making of a film about a farmer with a 10,000-yuan ($3,000) annual income—10 times the national average. The government presumed that this would encourage support for the reforms and even greater work efforts. But the plan backfired. Many members of the public resented the showing of such ostentatious affluence, and the government subsequently determined that the subject was unsuitable for future films.

One university faculty member was upset by his younger brother's new-found financial success. "I worked hard to get an advanced degree," he complained to me, "and now my younger brother makes several times my salary as a farmer." The reforms have produced uneven gains, and the more the market is relied on, the more differentiated money incomes are likely to become. This reality of the market is bumping up against the country's nominal ideology.

On September 28, 1985, the *China Daily* featured a story on page one with the head-

Above, a vegetable market on Hianan Island. You wouldn't know it from this wholesome scene, but the island is notorious for its prostitutes and is the entry point for thousands of illegally imported cars and TV sets. Both types of transactions are abetted by the nearby naval base.

line: "Party leader warns of threat of corrupting ideology." Chen Yun, a veteran Communist Party leader, was reported to have "called attention to corruption by decadent capitalist ideology and conduct." Further, the article said, "if cultural and moral development, political and ideological work and education in Communist ideas were not given serious attention, there would not be good party conduct and social conduct and China's cause would deviate from Marxism and the socialist road." It is clear that many of China's influential leaders still hold to the old party line.

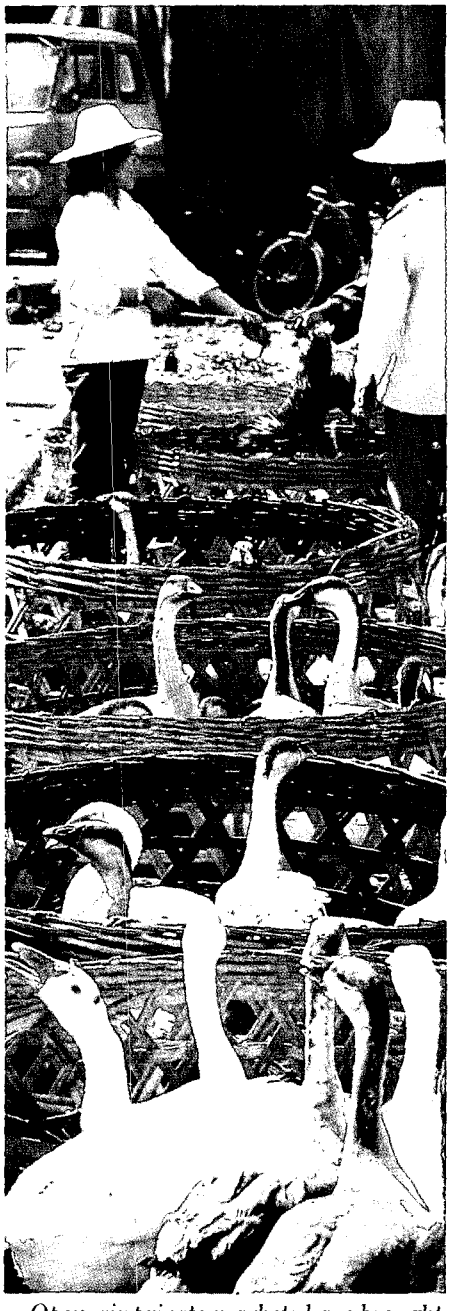
Chen Yun also pointed out another spreading social ill: "The bourgeois decadent ideology of putting money above all else was seriously corrupting party conduct and social conduct in general." Pornography, prostitution, and economic crimes are reportedly increasing. One colleague at my Chinese university, an English teacher from Great Britain, reported being approached by a Chinese prostitute outside the entrance gates to the Beijing Hotel. One of my students acknowledged that several well-known prostitutes solicited business from foreigners in a Tianjin hotel.

While Beijing taxi drivers have a long way to go before reaching the notoriety of their New York counterparts, trusting foreigners are subject to more than one kind of ride when purchasing taxi services in Beijing these days. Towards the end of my one-year stay, taxi drivers were frequently operating without their meters running and then asking exorbitant fees. Of course, capitalist ideology receives the blame for all these problems.

The recent student protests have propelled China's universities—long overshadowed by the agricultural sector—into the headlines. Rebuilding after the havoc of the Cultural Revolution, the universities must play an increasingly important role in the years ahead. If China's development follows that of market-oriented countries in the region, such as South Korea, the real growth of the agricultural sector will slow down. As the labor force shifts and the nonagricultural sectors grow more rapidly, the importance of human capital and higher education will increase. Today, less than 1 percent of the college-age population can attend school.

The major problem for the Chinese in this area is to make the university environment attractive enough for their own young and well-trained faculty to stem the current brain drain. One of my students guessed that 80 percent of the Chinese who study abroad fail to return after completing their advanced degrees. (Perhaps 10,000 Chinese are now studying in the United States.) The few people who receive government money for foreign study have to sign a pledge to return. But most who study abroad have foreign scholarships or money from relatives outside China; for whatever reason, the government doesn't try to force these people to return—and many don't. The financial rewards and the academic and personal freedoms in the West provide a great lure.

Teaching has very little status and is poorly rewarded—a legacy of the Cultural Revolution. The university forms a work unit, just like a factory or farm. Eventually all employees can expect to be housed on campus, but such housing is rationed by seniority, and a charwoman can expect the same one- or two-room apartment as a full professor with equal seniority. Newly hired lecturers find themselves sharing 9x12 dormitory rooms with two or three other junior faculty or graduate students. And a married couple of lecturers will usually find themselves separated—he will likely be housed in the male dormitory, she in the female dormitory.



Open-air private markets have brought in a greater variety of goods to Chinese consumers. At left, shoppers in Chengdu buy flowers. Above, live geese are sold on Hianan Island, 200 miles from Vietnam.

The policy is changing now, and Ph.D.s returning from abroad are apparently receiving preferential treatment. The Chinese appear to realize that differential financial rewards are needed for them to keep their best and brightest, but whether these reforms can be carried forward without a backlash remains to be seen.

While economic reforms are moving ahead, many other personal freedoms have not fared as well. The government's one-child policy is well known in the West, but people are subject to many other restrictive policies as well. While I was in China, a star rock singer from Shanghai was arrested for allegedly having sexual relations with two girlfriends and for living "decadently"; as far as I know, he is still in prison. The nonagricultural labor force is still subject to command-economy rule, and graduating students are assigned jobs and location of employment. (On the positive side, the government has relaxed its attitude toward religion, and many churches and shrines are reopening.)

One evening, I asked a graduate student what was really important in his life. "Personal freedom," he replied without hesitation. "And this is something that is almost totally lacking in this country." He went on to tell me about a letter that he received from a close friend who had just begun graduate study in the United States. The first line from that letter read: "Why couldn't I have been born in this country?" I was surprised that the writer would take such risks—letters can be opened and read—and that his friend would speak so frankly about such a sensitive subject. They were young and had not witnessed the Cultural Revolution.

The government intervenes actively in the foreign-exchange market and carefully controls citizen purchases of foreign goods. The Friendship Stores and hotels that sell foreign goods usually post guards at the door to ward off local people unaccompanied by foreigners, and in one Friendship Store that admits Chinese customers, I saw salespeople in the rug department shooing away their countrymen. Many Hong Kong Chinese, who are considered foreigners, take their relatives from the People's Republic to otherwise off-limits hotels, shops, and restaurants.

Most imported goods must be purchased with foreign exchange or "foreign-exchange certificates." Chinese citizens cannot exchange their renmibi ("People's money") for foreign currency unless they turn to the black market. Students need U.S. dollars in order to take the Test of English as a Foreign Language (TOEFL)—required by most U.S. universities. Unless they have good connections, they must rely on the black market or foreign teachers for the funds. When the word got out that I was writing dollar-denominated checks made out to TOEFL in exchange for renmibi at the official exchange rate, I was inundated with requests. I had to turn many students away as my check supply dwindled precariously.

Flea-market vendors, like this man in Tianjin, sell used pottery, furniture, and antiques. At one such market, I bought a 2,000 year-old Han Dynasty vase for $8.00, only to find such sales are illegal. The government wouldn't let me take it out of the country.

Some improvements are occuring on the campuses. Dances at the university where I was teaching are once again permitted on the weekends, although they must end by 11:00 P.M. (During the week, the dorms are locked at 9:00 P.M.) One particularly precocious coed told me her parents were "feudal" because they disapproved of her desire to party and wear modern clothes.

English is widely taught both at the university and in high schools, and students read a variety of English material brought into the country by foreign teachers. The relatively open access to foreign publications and Voice of America broadcasts keeps Chinese students quite well informed about world events. "I hear Deng Xiaoping is man of the year in *Time* magazine," one of my students said to me. "May I borrow your copy?" While students may not be able to buy *Time* or other magazines (expensive, available only in hotels and Friendship Stores, and requiring foreign-exchange certificates), they can easily make photo-

copies of important articles at the school's central duplicating service; the only serious restrictions seem to be that pornography is strictly forbidden. (I also heard that some restrictions on Bibles exist.) English-language books, printed without regard to copyrights, are relatively cheap.

Students get rock-music tapes from Hong Kong and know quite a bit about American culture. I attended several university-sponsored Christmas parties, where students sang the full range of carols. American folksongs, notably "Old Black Joe" and "She'll Be Coming 'Round the Mountain," are also very popular with students. I suspect that this knowledge of the West helped to fuel the demonstrations starting last December, in which student marchers sought democratic reforms and increased freedoms.

Crowds brave the winter cold to see the opening of Culture Street, a new shopping area in Tianjin.

Freedom of speech as we know it doesn't exist in China. Temporary liberalizations appear to be used primarily as a means of identifying dissenters. During the "Hundred Flowers" campaign of 1956, people were encouraged to voice their opinions of the regime, but the resulting information was used to persecute critics. More recently, the "Democracy Wall Movement" of 1978 proved that the current regime is also sensitive to criticism. After allowing the public to air its grievances through posters on a wall in Beijing, the government closed the wall and imprisoned leading activists.

Even when they criticized the government, the students I talked to tended to toe the party line, usually complaining that the state is too "centralized"—the same observation many Party leaders were making at the time. As I left China last July, another "Hundred Flowers" campaign was being encouraged. The students apparently took the government seriously and took to the streets, seeking more democracy and freedom (and, I suspect, better living conditions). Arrests soon followed, and some government and university officials were forced to resign. The government placed a great deal of the blame for the demonstrations on university faculty with Western sympathies.

The Communist Party newspaper, *People's Daily*, denounced the demonstrations as "the result of the spread for several years of bourgeois liberal thought and the fact that some of our comrades have shown weakness in fighting it." The *Economic Daily*, another Party publication, criticized "a small handful of people preaching bourgeois liberalism and advocating bringing in capitalism." This ideology, it said, is "in the process of poisoning our youth, imperils our social stability and unity, interferes with our reforms and opening-up policy and obstructs modernization's move forward." So much for the latest Hundred Flowers campaign.

Throughout China there are conflicts between the way things appear on the surface and the underlying reality. For example, many bicycles are equipped with additional seats for children. When an adult who is riding with a child reaches an intersection where a uniformed traffic policeman is present, the adult dismounts and dutifully walks the bicycle through the intersection. Once past the policeman, the adult returns to riding the bike. This ritual is required because riding the bicycle with a child is against the law. People superficially abide by the law, although in substance no one really conforms to it.

While Mao is officially honored and his statues and pictures persist, his policies are being abandoned. And most Chinese homes have replaced their Mao busts with inexpensive pottery replicas of tricolor Tang Dynasty horses.

Official pronouncements extol the virtues of communism and decry the evils of capitalism, but free markets are introduced and stock ownership of factories is being discussed. One newspaper article reported that stock ownership is actually a beneficial socialist tool: It provides broad-based control of society's means of production. According to the article, capitalism has merely altered and abused this useful financial invention. Nominally, the Marxist ideology persists. But reality tells a different story.

If capitalism by definition requires private ownership of the means of production, then China is not on the capitalist road. Land will continue to be owned by the state and leased. When stock issuance is discussed, it doesn't include ownership rights. The official Chinese policy is to develop "market socialism with Chinese characteristics." If so, China is more likely to develop into a big version of Yugoslavia or Hungary rather than a big version of South Korea.

Yet the Chinese are well aware of the economic miracles that have occurred in South Korea, Hong Kong, and Singapore. These huge successes and the dismal results of a command economy at home have fueled the drive for modernization and opening to the West. On a boat traveling down the Yangtze River, I met a young Shanghai worker whose work took him to foreign ports. Voicing strong support for the modernization drive, he noted that his city had once been more prosperous than Hong Kong.

Of course, nothing succeeds like success, and if the Chinese economy continues to remain strong, resistance to further change would likely weaken. Deng Xiaoping is reported to have said: "A cat of any color is good if it catches mice." The linguistic manipulations that are occurring in China may one day result in the Chinese declaring that the United States is a "modern" Marxist country worthy of emulation. On the other hand, those who denounce "bourgeois liberalism" may be speaking plainly, and a totally different ideology could dominate. History gives reasonable Chinese cause for caution. ◻

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CONSTITUTION

SERIES

1787-1987

The Constitution and the evolution of women's rights

"Remember the Ladies"

by **Joan Kennedy Taylor**

Susan B. Anthony, shown here in a political cartoon, led women to the polls in 1871.

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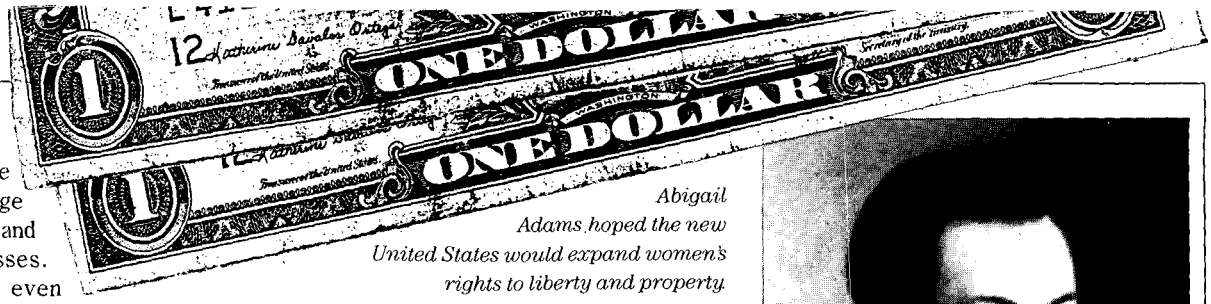
In March of 1776, when sentiment in the colonies was strong for independence, Abigail Adams wrote to her husband, John Adams, asking him to use his influence in any new government to change the legal status of married women. "In the new code of laws which I suppose it will be necessary for you to make," she wrote, "I desire you to remember the ladies, and be more generous to them than your ancestors. Do not put such unlimited power in the hands of husbands. Remember, all men would be tyrants if they could." Today, 200 years after the drafting of the Constitution, the legal rights of women are still ambiguous.

When Abigail Adams wrote, women's legal status was governed by British common law, which treated them as children. Politically, they had no rights at all. Economically, many occupations were forbidden to them. Their main occupation was marriage, but under common law, as the legal authority William Blackstone put it, "the husband and wife are one person in law; that is, the very being or legal existence of the woman is suspended during the marriage."

A married woman had no right to buy, sell, or manage property. She could not legally own property that she inherited or that had been hers before marriage. She did not even have the right to keep any wages she earned; they belonged to her husband. She could not sign contracts, sue or be sued, or testify in court. She had no right to her children in case of legal separation or divorce, and divorce was almost impossible for her to obtain. She was legally obliged to obey her husband, who could keep her prisoner or physically punish her, although not with excessive force.

Up from Slavery

The founding of the United States did not dismantle women's common-law status. That would take a long, painful effort that has not yet been completed—some states still restrict married women's free-



dom to manage property, change their residence, and start businesses. Women didn't even organize to protest their status until 1848, when a Declaration of Rights and Sentiments was read aloud by Elizabeth Cady Stanton at a Woman's Rights Convention at Seneca Falls, New York.

The declaration used the format and language of the Declaration of Independence to declare it a self-evident truth that all men and women are created equal. "The history of mankind," it asserted, "is a history of repeated injuries and usurpations on the part of man toward woman, having in direct object the establishment of an absolute tyranny over her. To prove this, let facts be submitted to a candid world."

The audience was heavily composed of abolitionists, for it was in the antislavery movement that women discovered that one political right was open to them—the First Amendment right "to petition the Government for a redress of grievances." Yet they were criticized, not just for holding unpopular opinions but for being unwomanly in trying to promote *any* opinions, and many women abolitionists became aware for the first time of their subservient position. They, and the male abolitionists who worked with them, began to think and talk of women's rights as well as Negro rights.

The Seneca Falls Convention itself was organized by two women, Lucretia Mott and Elizabeth Cady Stanton, who had met at a London antislavery convention eight years before. There, they had found that they were not only forbidden to speak but were required to observe the proceedings from behind a curtain.

At Seneca Falls, Stanton also called for women's "inalienable right to the elective franchise," a demand that seemed so excessive, even to the others who had helped her draft the declaration, that only the black abolitionist Frederick Douglass would take the floor to support it. Within two years, however, women were to take the idea of suffrage so seriously that they were initiating petition campaigns for it in eight states, as well as continuing to agitate with increasing effect for property rights and marriage reform. But with the outbreak of the Civil War, women postponed such work to assist the war effort.

Elizabeth Cady Stanton (left, with Susan B. Anthony) called for women's "inalienable right to the elective franchise."

After Lincoln's Emancipation Proclamation, women collected almost 400,000 signatures petitioning for an amendment to abolish slavery. Once that had been accomplished with the passage and ratification of the 13th Amendment in 1865, the Anti-Slavery Society began agitating for suffrage, and a 14th Amendment was proposed and introduced in Congress. Its original purpose was to give the vote to slaves and to take it away from southerners who had fought against the Union, but for the first time in the history of the Constitution, it was proposed that the word *male* be used to characterize voters.

Abolitionist feminists were alarmed. Many abolitionists who had championed women's right to vote in the abstract were unwilling to make it a concrete political issue. Wendell Phillips, president of the Anti-Slavery Society, refused to support votes for women, arguing that "this hour belongs to the Negro." Senator Charles Sumner, a former advocate of women's rights, called the women's campaign "most inopportune." Such sentiments prevailed. Women were unsuccessful in gaining the right to vote through either the 14th or 15th amendments.

But had the 14th Amendment *inadvertently* given women the right to vote? "All persons born or naturalized in the United States," declared the amendment, "are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens." In

Abigail Adams hoped the new United States would expand women's rights to liberty and property

1871, two members of the House Judiciary Committee signed a minority report holding that, under the amendment, women had the right to vote. The next year, Susan B. Anthony led 16 women to vote the straight Republican ticket.

On registration day, Anthony read both the 14th Amendment and the state election law to the election inspectors, pointing out that neither one prohibited women from voting. The women were allowed to register, and on election day, to vote. Although Anthony was arrested, tried, and convicted, she did not pay her fine and was never jailed for her defiance, which made it impossible for her to bring the case to the Supreme Court.

Women's only recourse was to get voters to amend the Constitution. This they succeeded in doing in 1920, after 50 years and what Carrie Chapman Catt, president of the National Woman Suffrage Association at the time, summarized as "56 campaigns of referenda to male voters; 480 campaigns to get legislatures to submit suffrage amendments to voters; 277 campaigns to get state party conventions to include woman's suffrage planks; 30 campaigns to get presidential party conventions to adopt woman's suffrage planks; and 19 campaigns with 19 successive Congresses."

One Step Forward, Two Steps Back

While women were campaigning for the vote, another issue had crept up on them: protective labor legislation. Progressive legislators had enacted a whole network of laws singling out women—laws that women were divided about.

A prime example was protective legislation to limit hours and working conditions.

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Such laws had been held to be a violation of men's right to contract, but in 1908, in the case of *Muller* v. *Oregon*, the Supreme Court decided that an Oregon law limiting the working hours of *women* was constitutional.

The case was the first in which sociological data persuaded the justices to modify legal principle. The brief that was filed cited reports by state commissions to prove that women are just what the common law assumed they are—frail, and in need of special protection. The rights of men—in this case, to liberty of contract—need not be available to working women, as they had traditionally not been available to married women.

Woman has always been dependent on man, said the decision, and this is natural. "Though limitations upon personal and contractual rights may be removed by legislation, there is that in her disposition and habits of life which will operate against a full assertion of those rights....Differentiated by these matters from the other sex, she is properly put in a class by herself, and legislation designed for her protection may be sustained, even when like legislation is not necessary for men, and could not be sustained."

The issue divides the women's movement to this day. An organization called the National Woman's Party, founded in 1913 to work for suffrage, became convinced that the view of women exhibited in the *Muller* decision was a threat to the idea of equal rights they had been working for. So in 1921, the party reorganized to work for the removal of all legal distinctions based on sex. At first they undertook a state-by-state campaign but soon decided to lobby instead for constitutional reform—an equal rights amendment. The amendment was introduced in Congress in 1923, and with two exceptions, substantially the same wording was submitted every year thereafter until 1972, when the ERA was finally passed by Congress and sent to the states for ratification.

From the beginning, the main opposition to the ERA was from supporters of the trade union movement. Clearly, protective labor legislation, whatever else it did, served to curb women's competition for jobs. In 1950 and 1953, the ERA was amended with a rider, urged by Eleanor Roosevelt, that would have left protective legislation intact by providing that the amendment "shall not be construed to impair any rights, benefits, or exemptions now or hereafter conferred by law upon persons of the female sex."

But it was precisely the singling out of women that the National Woman's Party opposed. So although the amended ERA twice passed the Senate, the party helped to defeat it in the House.

When Congress held hearings on the equal rights amendment in 1970 and 1971, six of the eight statements against it were submitted by organized labor, including one from the AFL-CIO. One legal expert suggested a rider to keep protective legislation intact.

During the years in which the ERA was being unsuccessfully proposed, attempts were made—also unsuccessfully—to strike down various discriminatory laws for violating the equal-protection clause of the 14th Amendment. The rationale was well expressed by scholar Bernard Schwartz, in an observation included in the record of the 1970 House hearings on the amendment by ERA foe Senator Sam Ervin: "The case law has consistently ruled that, even though women are 'persons' within the scope of the equal-protection clause, the protection which that provision affords them must be interpreted in the light of the disabilities imposed upon women at common law. Thus, as recently as 1966, a state court ruled that, until the common-law disqualification of sex is removed, women are not eligible to serve on juries—and that regardless of the equal-protection clause."

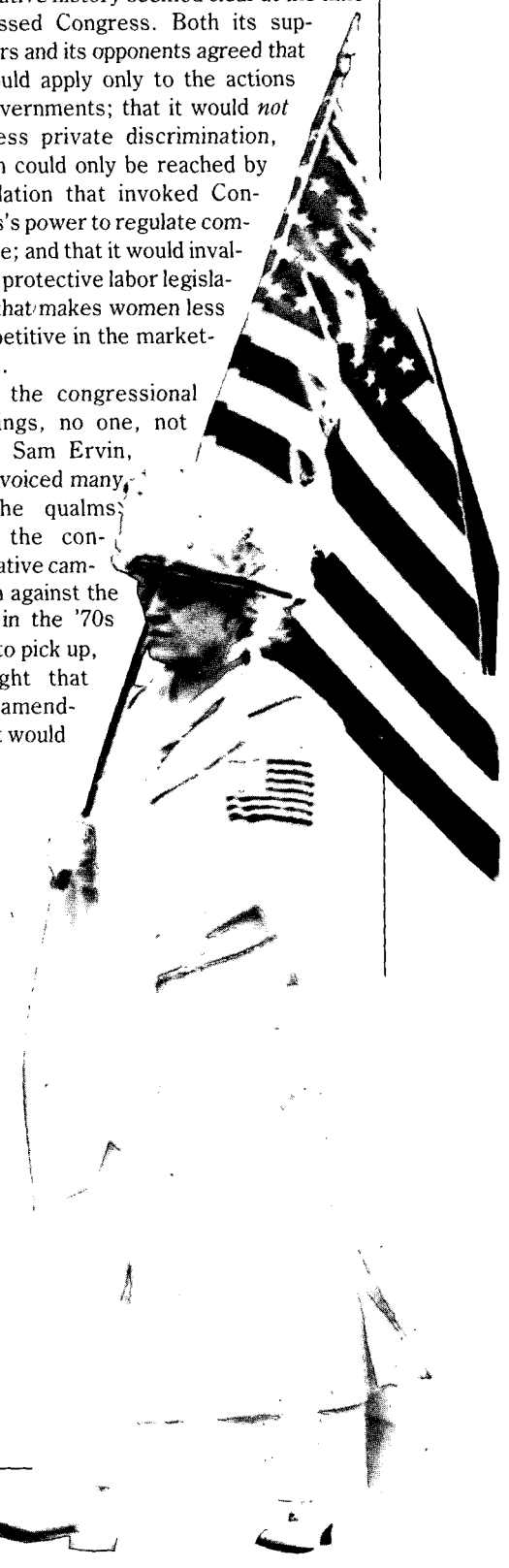
In 1971, the Supreme Court finally held that a specific classification based on sex was not "reasonable." In the years since, the Court has considered a number of challenges to statutes that differentiate on the basis of sex. "While the Court has several times struck down such statutes," comments one legal source, "those occasions have been proportionately far fewer than in suits challenging classifications based on race."

Although the Court can reverse a previous ruling, and has done so, it does not do so with abandon and generally tries to support such reversals by appealing to the "plain language" of the Constitution or to the intent of those who framed the section being interpreted. Intent is discovered by examining the debates that took place at the time the wording was adopted—the legislative history. And the legislative history of the 14th Amendment explicitly did not include women, so it would require an extremely "creative" decision to hold that the amendment applies to women.

The Slow Death of the ERA

Thus, the stage is set for the sad tale of the Equal Rights Amendment. Its legislative history seemed clear at the time it passed Congress. Both its supporters and its opponents agreed that it would apply only to the actions of governments; that it would *not* address private discrimination, which could only be reached by legislation that invoked Congress's power to regulate commerce; and that it would invalidate protective labor legislation that makes women less competitive in the marketplace.

In the congressional hearings, no one, not even Sam Ervin, who voiced many of the qualms that the conservative campaign against the ERA in the '70s was to pick up, thought that the amendment would



Suffragette Carrie Chapman Catt finally saw women get the vote in 1920—after 50 years of lobbying.

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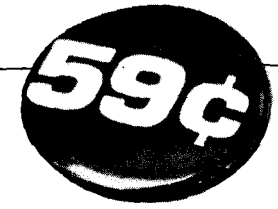

Would the ERA force economic equality and expand government? Supporters like Eleanor Smeal of NOW came to agree with opponents that the amendment would force sweeping changes in private action.

expand the power of government. It would invalidate laws, not create them. In fact, Ervin feared the ERA would bring "legal chaos" because it would "merely abolish all laws making any distinction between men and women. It would not bring into existence any new laws giving us a discrimination-free society."

And feminists agreed. "ERA will not prevent discriminations by persons or by private industry," wrote Ann Scott in the pages of the popular feminist magazine *Ms.* "It will not, directly at least, change social relations. What it will do, over the long run and on a most basic level, is to prevent the government from determining the rights of women and men on the basis of sex. And that's a hell of a lot."

Then came the conservative campaign against the amendment. Not only would the ERA change social relations by driving women out of the home and into the work force and by legalizing homosexual marriage, but it was also alleged to be "a big power grab by the Federal Government." The amendment "will eliminate all-girls' and all-boys' schools and colleges," said conservative literature. It "may compel the states to set up taxpayer-financed child-care centers for all children" and "may give the Federal Government the power to force the admission of women to seminaries equally with men, and possibly force the churches to ordain women."

In response to these attacks, feminists gradually expanded their accounts of what the ERA might do. They didn't exactly *say* that the amendment would be applied to make people economically equal, but they started wearing buttons calling attention to the statistic that women earned 59 cents to a man's dollar (a misleading figure—see Jennifer Roback's "The 59-Cent Fallacy," REASON, Sept. 1984).

The ERA was supported by a broad coalition that now included many of the union forces that still wanted to expand social legislation. They thought that they could have it all—that women could be legally equal and legally different and special, all at the same time. After all, those who made blacks their constituency had pulled off that trick by changing the interpretation of the Civil Rights Act to mean present-day affirmative action with its goals and benign quotas.

So feminists started agreeing with the conservatives that the new amendment would have broad effects. Where the conservatives called it a federal power grab, Eleanor Smeal, president of the National Organization for Women (NOW), called it "a Constitutional prohibition against sex discrimination." In a letter to supporters, she said, "Unless we fight harder and in a more organized fashion than we ever have before, women will continue to be doomed to a second rate economic status of lower pay, unequal credit and inadequate job security. After all, that's what the ERA fight is *really* all about—making the lot of women really equal to the lot of men, especially when it comes to money. That's the critical litmus test of equality."

The amendment had five years to achieve ratification, and it failed to do so. The deadline was extended until 1982, and it failed again, this time permanently. Prospects for passage of a new ERA are unlikely.

The ERA was a remnant of the classical liberalism of the early abolitionist feminists, who sought equal responsibility and laws that had neither special privileges nor special restrictions for women. It could have been used as a vehicle to enunciate that philosophy to a wide audience today, but it was not. Instead, its supporters, who began by describing it correctly, came to agree with their opponents that it would engender sweeping changes in private action. And that agreement would become a self-fulfilling prophecy should the ERA pass Congress again in the near future; it has created a climate of opinion that would provide a different and malignant legislative history, one that could make all the worst nightmares of federal power grabs come true.

So the ERA is dead, but *Muller* v. *Oregon*, the cornerstone of protective legislation, has never been overruled. And the status of women is basically what state legislatures (and majority opinion) say it is. While the ERA was wending its way through the state legislatures, it became fashionable to grant women equal treatment; several states passed state equal-rights amendments to their constitutions. But the trouble with not having the Constitution view women as fully equal and independent beings is that, if the fashion changes, there is nothing to stop the laws from changing back.

Indeed, a number of feminists are now campaigning for a new kind of protective legislation, this time aimed at helping women in the workplace with laws that mandate maternity leave and provide child-care assistance. Such legislation is a pendulum that can swing either way. In *Women and Work in America*, Robert Smuts says, "The most obvious effect of the depression of the 1930s was to throw many women out of work and intensify the feeling that working women took jobs away from male breadwinners. Many state and local governments revived old bans on the employment of married women in teaching and other public jobs, and several state legislatures considered bills to prohibit the employment of wives in public industry." It could happen again. ◻

Joan Kennedy Taylor is working on a book about feminism and individualism.

NOW

A very expensive lecture for an innocent millionaire: An excerpt from a great novel about America today.

The Shock of Taxes

by **Stephen Vizinczey**

Mark Niven staked his life on finding the Flora, *a treasure ship which sank in Bahamian waters in 1820. He lost the woman he loved because he thought that love was a waste of time; he wanted to do only one thing—to find gold and jewels somewhere among the reefs. He braved loneliness, sharks, ridicule, constant disappointments; he went through hell pursuing his dream of riches. And when he finally found them, he thought he was rich and safe. He thought: "There was a God after all, and He was a friend."*

"Believe me, Mr. Niven, if you knew anything about taxation you would consider yourself lucky to be taxed in the Bahamas," said the Chief Valuation Officer of the Ministry of Finance, Nassau's top she-bureaucrat reigning in a top-floor office of the new Treasury Building. "We're nothing if not fair, ask any of our white people. We have tax refugees here from all over the world. Naturally, you can't expect to keep everything. The state must have its share, Mr. Niven, but once you satisfy me I won't ask for more." She flashed a smile at him across her desk to suggest that such a handsome young man had no reason to give way to suicidal despair. Having earned her bachelor's degree at the University of South Florida, her master's degree at the University of Toronto, and her doctorate at the London School of Economics, Dr. Mavis Rolle had the playful authority of a pretty woman with the right qualifications and a big job; she could crush a man and flirt with him at the same time.

Mark sat between his lawyer and his bank manager, staring at Dr. Rolle with a fixed look. He was too stunned to protest, while the lawyer and bank manager knew better than to start arguing too soon with the Chief Valuation Officer of the Ministry of Finance.

"I'm being truly generous to you, Mr. Niven," she assured him in that soft, warm, lilting voice which is the best music of the Bahama Islands. "You'd fare far worse in any of the overdeveloped countries." Her eyes glittered and her fingers located in the air as she pronounced the words *overdeveloped countries*. Dr. Rolle wore no jewels but she liked to display her gems of wit. "Most people in this world have to contend with more taxes than you could count! And that's people on the poverty line—salesgirls, bus drivers, poor people. Income tax right off their wages, then taxes on everything they buy or use. Sales tax, excise taxes, entertainment tax, road tax, property taxes, local taxes—they're taxed at work, they're taxed at home, and they're taxed when they go out to have some fun. People who are too poor to pay income tax at all pay at least as much as forty percent of their welfare checks back to the state in indirect taxes. I understand you grew up in Europe, Mr. Niven, so you know about the European Economic Community—they put what they call a value-added tax on top of every other tax. You not only pay that yourself, you also have to collect it from everybody who does business with you. If you fail to collect it, they put you in jail. You work as a tax collector for the government, free of charge, or they lock you up. That's not even taxation, Mr. Niven, that's forced labor. Now you do fare better with us, don't you?"

"Dr. Rolle, what does it matter how they tax in other countries?" pleaded Mark's Bahamian lawyer, Franklin Darville, a handsome, lively, fat man in his thirties, stretching out both his arms in a theatrical gesture of supplication. "Leave that kind of argument to us lawyers. We can justify anything by comparing it to something worse. You're too fine a person to stoop to that sort of trick. The most atrocious crimes—and I mean the most atrocious crimes—can be made examples of shining virtue *by comparison.*" He dropped his arms, overwhelmed by his own eloquence, then drew himself up and lowered his voice to express the depth of his indignation. "Our own Abandoned Wreck Act of 1964 allotted only twenty-five percent to the Treasury."

"We couldn't take the 1964 Act as our guide in this particular case."

"Why not in this particular case?"

"There's too much involved," she explained with the calm air of authority which makes brazen remarks sound reasonable.

Thomas Murray, manager of the Nassau branch of the Royal Bank, entered the argument in an almost apologetic manner. "It appears that the salvaging of the wreck will have to be quite a serious undertaking," he sighed. "You might perhaps take this into consideration when setting the levy." A tall, bony Scottish Canadian with a narrow head and a commanding nose, Mr. Murray had the tentative, self-effacing manner of a man who managed billions of dollars and knew how touchy people were about money. "Mr. Niven has all but concluded the leasing of a special barge which is going to cost him, crew and all, sixty thousand dollars a week. He'll need professional divers, expensive equipment—the insurance alone I'm afraid could be in the region of four hundred thousand..."

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"There will be bank charges, legal costs..." interjected the lawyer, as much to warn his client as to argue on his behalf.

All the fun left Dr. Rolle's face as she listened. With professionals she was professional: she concentrated on looking unimpressed. "I don't see how you gentlemen can raise the question of expenses at all," she said dryly, tapping the files with her fingertips for emphasis. "Your own people at the bank, Mr. Murray, estimate that the cross Mr. Niven has already recovered is worth seven hundred and fifty thousand dollars! All the newspapers I read say that the cargo of that ship is worth at least three hundred million. And it's all there, according to Mr. Niven. There are several fortunes here—plenty for everybody. So what are we arguing about? Surely, gentlemen, you don't wish to dispute that I'm leaving Mr. Niven more than enough?"

"Just as you say, Dr. Rolle," exclaimed the lawyer. "There are several fortunes here, several fortunes, but Mr. Niven found them all!"

"What point are you trying to make, Mr. Darville?" Dr. Rolle asked with a hint of exasperation. The clearest things were obscure to her if they didn't prove her right.

Mark was petrified. He wanted to speak but he couldn't move his tongue. What did she mean, she would leave him more than enough? If he had been interested in enough, he would never have started to look for the *Flora* in the first place. And how could *she* leave him any part of *his* ship? A possessive husband advised not to worry about the number of lovers his wife had because they left him more than enough of her could not have been more insulted or bewildered.

"Of course, what Dr. Rolle says is perfectly true," Thomas Murray ventured to argue by way of partial agreement, "Mr. Niven would be taxed more frequently elsewhere. If he sold his find and invested the money, he would have to pay capital gains tax, investment tax—I wouldn't dispute that. Some European countries are talking about adopting an annual wealth tax as well, which could add up to quite a bit in Mr. Niven's case, considering how young he is. And there would be an inheritance tax, eventually. On the other hand, we don't know what's going to happen to Bahamian tax laws either, so it might not be altogether unreasonable to argue that the initial tax perhaps ought not to be quite so high."

The Chief Valuation Officer saw no merit in all this. She wasn't in the habit of conceding anything. She was two women: she had a slim face, graceful neck, small breasts, slender arms, long delicate fingers, but she was heavy below the waist, spreading out monstrously, no doubt from sitting at her desk all day, broadening her power base. As a vulgar but possibly true saying has it, big shots have big asses, and Dr. Rolle sat on hers immovably.

She softened only when she switched back to Mark with a sympathetic smile to show him whose side she was on. "Believe me, Mr. Niven, most governments would keep at you until you were destitute. And if you were so clever that somehow you managed to hold on to something...Good Lord, they would take that something away from you when you died, so you couldn't pass it on to your children. Here you pay a levy and that's the end of it. What you're left with is yours to keep. It's *yours*. It will always remain yours. We don't have income tax, capital gains tax, investment tax, inheritance tax. Our local taxes are the lowest in the world. There's only one government you have to live with, and it's a small one. We go easy on you while you live, and we leave you alone when you die." She gave Mark a mischievous look which had nothing to do with death or taxes. Her quick glances, her smiles, her warm lilting voice carried the conviction that black was beautiful, sex was beautiful, intelligence was beautiful, and power was the most beautiful thing of all. "Truly Mr. Niven, if you think about it a little bit, you won't find a sixty percent levy so vexing!"

She raised her long delicate fingers from the files to demonstrate that a sixty percent levy had no weight.

She raised her long delicate fingers from the file to demonstrate that a sixty percent levy had no weight.

The lawyer and the bank manager kept raising objections, and Dr. Rolle dwelled on her own points; they argued at their leisure, discussing every aspect of the problem, repeating themselves, voicing every idea that came into their heads, as people do at conferences, chatting on time well paid. In the end, however, Mark's bleak silence began to slow down the conversation. He sat hunched over in his chair as if he felt the heavy hand of the Treasury on his shoulder.

Darville put his arm around his rigid client to involve him, introducing his very flesh and blood in evidence. "Look, Dr. Rolle—a while back Mr. Niven had a really-truly close look at some sharks. Now nobody from the Treasury was there to be scared with him, were they? So how could the Treasury profit more from his troubles than he does himself? I'm saying what you could be saying, Dr. Rolle—Mr. Niven enriched the world with these treasures, and he did it all without the help of our beloved government! If it hadn't been for his work, his perseverance, his bravery, there would be nothing for you to tax away, nothing to put your levy on!"

Dr. Rolle heard him out with an expression of moral rectitude; she knew that the lawyer was bound to make more out of this than she would, unless being firm about the levy got her a cabinet post. "You talk as if Mr. Niven had risked his life just for the money," she commented, assuming the patronizing sanctimoniousness so characteristic of public officials regardless of nationality, race, color, creed or sex. "Unlike you gentlemen, I don't believe that Mr. Niven is motivated by greed, I can tell that he isn't the sort of person who would want to keep all this wealth to himself. I'm sure he appreciates that the wreck lies in Bahamian waters and is the property of the Bahamian government. He wouldn't want to deprive the Bahamian people of their heritage."

Unaware of the horror she inspired, she tried to revive Mark with another quick smile. "I can tell, gentlemen, that in his heart of hearts, Mr. Niven believes in social justice. He's more sensible than you make him out to be. He doesn't strike me as a parasitic personality."

Her last remarks stung Mark to life—he raised his head and stared at her with burning eyes. They all turned toward him expectantly.

"It's not fair, it's not fair, it's too high," prompted Darville.

"Why only sixty percent?" Mark asked hoarsely. "Why not more? Why don't you take it all?"

The Chief Valuation Officer locked up her smiles. If Mr. Niven didn't want a li-

JOHN R. MARTIN

cense on terms acceptable to the Treasury, she would have no choice but to impound the gold statuette and the emerald cross, which Mr. Niven had already brought up from the wreck, in view of the fact that he had removed these treasures from Bahamian waters without a license. And to make sure that Mr. Niven would not take anything further from the wreck, she would propose to her colleagues that he be deported from the Bahamas as an undesirable alien.

These threats did not have their desired effect; Mark was too deeply offended to give in. "I'll leave it with the fish," he shouted. "The Treasury can have it all. The whole hundred percent! All you have to do is find it. And you never will. If I can't have it, you won't have it either."

"I guess here is where I should move for an adjournment," interrupted Darville. "We need some time to consider our position."

Dr. Rolle brushed the air with her fingers. "As you wish...I understand that there are a lot of divers around the reefs where Mr. Niven was diving. Since I have issued no salvaging license to anyone, they have a perfect right to claim whatever they find. If Mr. Niven doesn't want a license on terms acceptable to the Treasury, I'm quite content to grant one to whoever comes next. Once those divers pinpoint the site and get a license, the wreck will be all theirs."

"You mean forty percent of it," Mark corrected her, with the flicker of a malicious smile.

"Why, of course, Mr. Niven," she shot back with triumphant politeness. "Each one of us owes something to society. No man is an island—life is not just take, take, take!"

"Did you hear about the Miss Secretary contest we had here a few months ago?" asked Darville as the three men left the Treasury Building and were making their way back to Thomas Murray's office at the Royal Bank. "I know it's no news to you, Tom, but I thought I'd tell Mr. Niven about it—it might give him a bit of a laugh." The air had cooled a bit while they were at the Treasury, and the lawyer was happy: he could still smell the rain and he had a tale to tell that he was thinking of submitting to *Playboy* magazine.

They were walking along Bay Street, the main street of the Bahama Islands, where investment banks of all nations are flanked by fish markets, twenty-four-hour nightclubs, and souvenir shops festooned with straw baskets. There was a constant flow of humanity in shorts and business suits; in Nassau even the most important people go about their business on foot.

"What has social justice got to do with it?" asked Mark, arguing with Dr. Rolle in his head.

"So that's what I owe to society, financing government sex! Life is not just take, take, take — life is screw, screw, screw."

"The first meeting with Treasury people is always difficult," replied the bank manager, bending his imposingly tall figure to make his reassuring observation from a less forbidding height.

"Believe it or not," continued Darville, persisting in his efforts to change the subject, "I was a member of the lucky jury which picked Miss Secretary of the Bahama Islands. At one point each of the finalists was asked what she thought was the most important quality of a good secretary. They all said something like punctuality, neatness, tact, knowing how to keep intruders away from the boss—you know the kind of thing. Then came this lovely girl, secretary to a minister, about twenty, twenty-two, very pretty, very shy—very shy and soft-spoken, you could hardly hear her. She ducked her head, kind of hid behind her long, thick eyelashes, then let us in on the secret: 'The most important quality of a good secretary,' she whispered, 'is *being passionate!*' "

"I always thought that depriving people of the fruits of their labor was exploitation, not social justice!" said Mark.

"I would have given the crown to Miss Passionate, but the other judges voted for an efficient old hag instead," the lawyer went on somewhat stiffly; he had never told the story before without getting a laugh. "All the best secretaries are old hags—mine is a great old hag."

"Up north, male secretaries seem to be the fashion," commented Murray. "I wonder what is the most important quality of a male secretary."

"Staying power," quipped Darville. "The male's pull is staying power."

Mark stopped abruptly in the middle of the sidewalk as if struck by mental lightning. "You mean that girl was secretary to a member of the Bahamian government? Whom does she work for? The Minister of Finance?"

"Now, Mr. Niven, no lawyer in the world would be foolish enough to answer such a question!"

"So that's what I owe to society, financing government sex!" Mark exclaimed, oblivious of the stares of passers-by. "No man is an island, ministers must have company, life is not just take, take, take—life is screw, screw, screw!"

"Listen, that's the least harmful thing they can do with your money," Darville said almost angrily, offended by Mark's outburst, which he took for a racial slur. "White governments take your money and use it to screw *you*! Who builds all those nuclear submarines pissing heavy water into the sea right around these islands? So don't you go and begrudge Miss Passionate to an old man!"

"I thought you said anything can be justified by comparison!"

Thomas Murray was greatly relieved when he had them inside his private office at the bank, out of everyone else's hearing. He suggested the possibility of compromise.

Mark seemed to want to try out each chair in the office, which in deference to local handicrafts was fitted out with rattan furniture. Sitting down, standing up, he was intractable. Darville's harmless little story had incensed him beyond reason. What maddened him most was the thought that he had lost Marianne—she had thrown him out—and all because he was in a hurry to contribute to an aging politician's sex budget! He had felt guilty about having fun! He had told the loveliest woman on earth that they had *wasted six whole days*—the happiest days of his life—and now all he had to look forward to was the happiness of the Minister of Finance! He couldn't accept it. His lawyer and banker argued in vain the necessity of a prompt agreement with the Treasury, the danger of others finding the wreck; Mark treated them to bizarre arguments which had no bearing on his predicament. "Why should I give in?" he asked. "The United States was born out of a revolution against taxes!"

"If you didn't know it, you could never guess it," Murray remarked, attempting some light humor of his own.

"Mr. Niven," protested the lawyer, fed up with all the nonsense, "in the whole history of the world, I doubt that there was a single instance of anybody refusing tons of gold and sackfuls of diamonds."

"Do you think so?" asked Mark, taken aback for a moment. "Yes, I suppose you must be right, I'd be the first!" he added with flashing eyes, inflamed by the idea of doing something no one else had ever done in human history.

"You'd really-truly regret it," Darville assured him.

"My luck will hold!" said Mark, willing himself to hope. "No one else is going to find the wreck, and you'll see, Dr. Rolle will realize that they can't get any of it without me. They'll come down, they have no choice, they'll have to be reasonable!"

Darville shook his head. "Heaven's sakes, Mr. Niven, I hate to disappoint you, but when there is a dispute between an individual and the government, it's the individual who has no choice. We'll try to get the levy down a few points, but don't get your hopes high."

Mark shrugged defiantly. "As long as no one else can touch my ship, I'll be happy."

"You mean to say forty percent is worse than nothing?" Darville asked, no longer bothering to check his exasperation. "Do you have a special way of counting?"

"I went through hell, I won't let myself be robbed!" Mark vowed, and sensing tears in his eyes, turned toward the window. "I won't let them cut me up!"

The lawyer made a courtroom show of astonishment, amazement, incredulity. "Who's cutting you up? I didn't see any knives at the Treasury—you're not bleeding. Nobody's touching you, Mr. Niven. We're not even talking about you. You're a person, a human being—we're discussing the disposition of inanimate objects lying at the bottom of the sea, miles and miles from here. So who is cutting you up?"

"I haven't risked my life for forty percent of anything!"

"Look, we'll do our best for you," Darville said threateningly, "but just between ourselves, speaking as your lawyer, I'm bound to advise you that even if *worst comes to worst* and you end up with only forty percent of three hundred million dollars, you'd better not complain out loud, because somebody might cut your throat! There—that's how you might find yourself cut up!"

The signing of the salvaging agreement by the Bahamian Minister of Finance and Mark Alan Niven, resident of Santa Catalina, took place in the conference room of the Treasury Building eight days later. It was a ceremonial occasion attended by the Prime Minister and his entire cabinet, by high-ranking bureaucrats, bankers, lawyers, journalists, photographers, friends and other spectators. As Franklin Darville remarked, it was like the signing of a treaty on television. Miss Passionate was there, wearing a flowing Nina Ricci dress of pale apricot silk.

The ceremony was the culmination of a flurry of diplomatic activity. Darville had been negotiating with a political aide who offered to reduce the levy by five percent in return for a mere hundred thousand dollars' payment into a probate account in New York. If the deal had gone through, a hundred thousand would have produced what was in effect a sixteen-million dollar tax concession; a little bit of private money buys a lot of public money in most parts of the world. For his part, Thomas Murray had been meeting with the Minister of Finance, using the unconventional method of honest persuasion. But before these negotiations could come to anything, Prime Minister Bethel intervened to settle the matter personally. Prompted by a mysterious well-wisher, he ordered the Treasury to reduce the levy to fifty percent. According to the agreement, the licensee Mark Alan Niven had the right to salvage objects from the seabed within a 500-meter radius of a central point to be disclosed by the licensee at the commencement of salvaging. (Mark still refused to tell the authorities where the wreck lay.)

> **"We all hate to be robbed, dear boy, but we must make an exception in the case of the government."**

The government had *the right of first choice of any and all objects recovered up to fifty percent of their total dollar value.* This value was *to be determined by a committee of appraisers mutually agreed upon.*

There was also a clause stating: *the division of salvaging costs between the parties shall be a matter for further negotiation.*

"Remember, all this is only about things, inanimate objects!" Darville reminded his client in a warning tone at the signing ceremony.

"I know, I know."

Mark, wearing a suit and tie for the occasion, appeared carefree and content with his lot, carrying himself like a man who was counting his blessings, his fifty percent. While they were waiting for the arrival of the Prime Minister, he chatted with his lawyer and Eshelby. "Of course we all hate to be robbed, dear boy, but we must make an exception in the case of the government," Eshelby told him. Mark laughed heartily, in a good enough mood to appreciate a witty remark. Later, walking up to the dignitaries assembled around the long table covered with a green baize cloth, he listened respectfully to Prime Minister Bethel and chatted with everyone, even with Dr. Rolle.

"I don't blame you for our little argument, Mr. Niven," she told him sweetly. "Our problem was your inexperience. You're young, and diving was a happy-go-lucky occupation. You were a loner, an outsider, you didn't need to know much about anything. But it's different now, isn't it? A rich man is very much an insider, he's involved, he learns the rules—he has too much at stake."

"Yes, I'm learning fast," replied Mark with a determined air.

However, after signing the documents and watching Darville witness his signature, he walked away from the table with unsteady steps, and nodding to a reporter with a wan smile, collapsed unconscious on the floor.

"Good Lord, what on earth could be wrong with him?" Thomas Murray asked Darville as several people rushed to Mark's aid. "I trust it isn't possible for a twenty-year-old to have a heart attack."

"In his place I would die," replied the lawyer, who was to be the first to inflict on Mark the violence of a large bill, charging $241,204 for his services concerning the levy. "That ship is still at the bottom of the sea, and he's already lost half of it!" ◻

Stephen Vizinczey is the author of In Praise of Older Women *and* Truth and Lies in Literature. An Innocent Millionaire *(excerpted here) is being turned into a film for United Artists.*

investments

By Mark Skousen

Get Rich Quick? Hah!

What are we to make of "get rich quick" schemes by self-proclaimed financial experts? Their ads show up in magazines such as *Money* and *Wealth,* as well as "think magazines" from *National Review* to *The New Republic* to REASON.

The way these ads tell it, you can make a fast, easy $100,000 in 90 days...or $25,000 in 25 days...or $2,000 an hour. What's the secret? You can find out if you fork over a small sum of money—$10 seems to be the going rate for get-rich-quick secrets. Why bother investing your hard-earned money in stocks, bonds, or precious metals when you can make this kind of return on a mere $10?

Of course, pretty soon you'll have to worry more about the IRS. So naturally there are plenty of schemes also for hiding your new-found wealth in secret offshore bank accounts (earning as high as 36%!) and secret foreign trusts.

Okay, so nobody who reads *REASON* is so naive or gullible, right? Still, as the financial columnist, I thought it would be interesting to respond to some of these ads and report on the results.

For my first $10 "investment" I was sent a 140-page booklet describing a dozen business opportunities sure to produce speedy wealth—"honest to goodness." I turned to pages 24-26 to check out the one promising $25,000 in only 25 days.

The secret? Publishing and distributing coupon books through charities and churches. "There is absolutely no selling. The group members give the coupons away free and even are paid to do it! Groups reportedly jump at this deal." Would-be millionaires hear the story of Jack, who made only $4,000 his first month, working 80 hours a week! But then he hired a few salesmen ("independent contractors") and made a net profit of $25,000.

Unfortunately, this promoter reveals only the skimpiest details. You have to sell your idea to local merchants, who have to pay for the advertising booklets—but he fails to tell you how much to charge merchants. Maybe he doesn't know.

And so it goes with the other roads to riches described here: a move-in welcoming business, a collection agency, selling

gambling information, writing a get-rich-quick book, investing in real estate with "nothing down," etc. The eager seeker of wealth gets only the barest of details.

Granted, there is big money to be made in starting your own business. As I pointed out in my November 1986 column, very few rich people got that way by investing. But making an enterprise work in today's competitive and uncertain environment is not easy. Stories of overnight success abound; the real question is, are they repeatable by second-comers? Often they are not.

Many of these ads only play on your curiosity, and you have to pay up front before you become disillusioned. Another type of get-rich-quick ad I checked out is at least more honest, revealing exactly what the deal is.

This one claims you can make $2,000 an hour by contacting heirs to forgotten, unclaimed money in bank accounts, stocks, and insurance policies. According to the ad (and imitators are already making the same pitch), lost money amounts to $25 billion in the United States. And for...$10 you will be sent a book that shows you how to obtain lists of individuals or heirs who have not claimed their property. Then all you have to do is track down the rightful owners and take your commission.

I figure thousands of people have already purchased this booklet, and a lot of them are going around trying to find missing people. I called the Florida Unclaimed Property Division and was told that they have been swamped with calls. It costs $59 to obtain a missing property list, which contains about 25,000 names in Florida. But guess what? Florida just passed a law requiring you to have a private investigator's license before you can claim any missing property on behalf of someone else. I wonder how many other states are imposing similar restrictions.

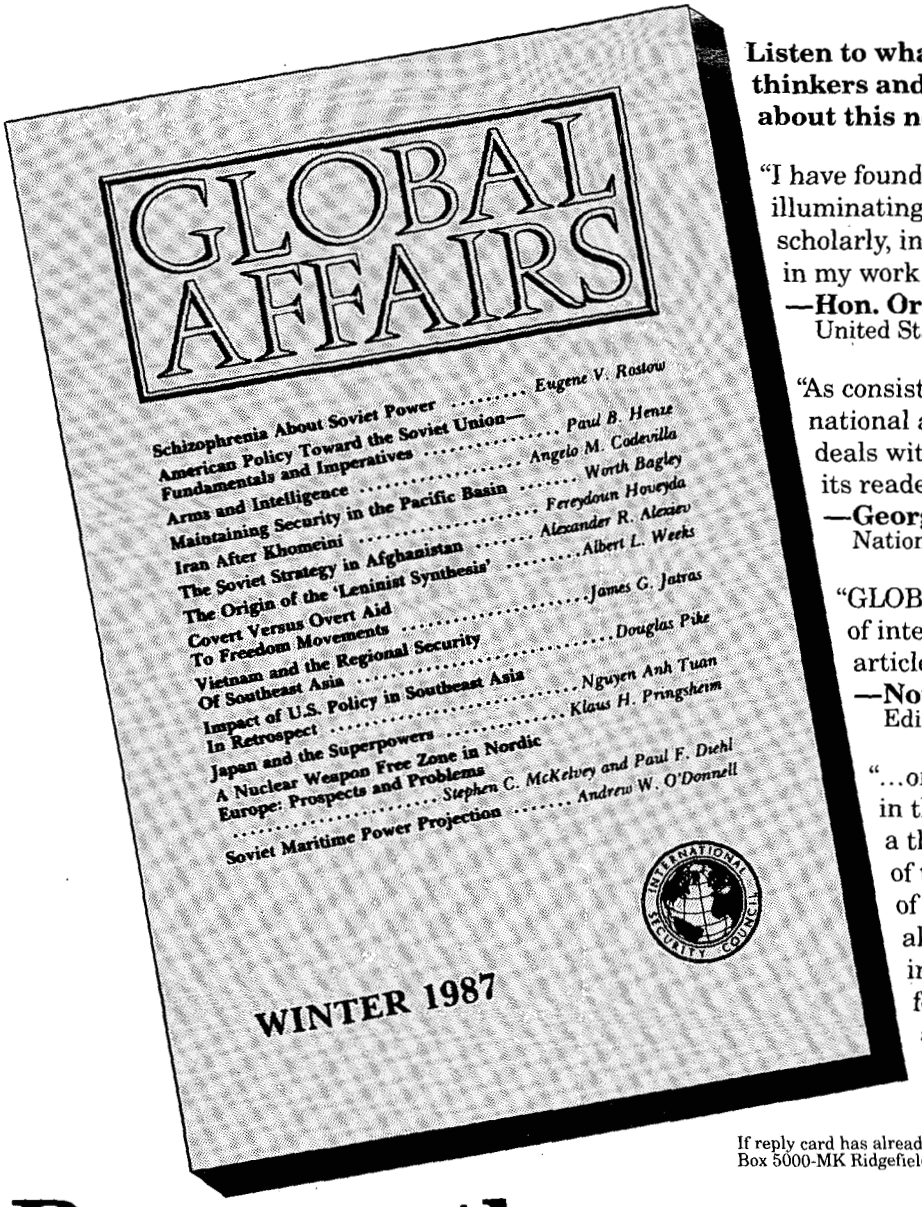
The "get rich quick" schemes may only cost you $10 each, but others could be far more expensive—they could get you into trouble with the IRS. For instance, I sent away for a "free" promotional piece on offshore banking. The authors imply that tax laws can be ignored as easily as the 55-mile-an-hour speed law. Another offers to set up "contractual trusts" in the Bahamas—for $2,800 plus an annual maintenance fee. My advice is to stay clear of "secret" foreign trusts or other questionable deals. They can only get you into trouble.

Now I'm not strictly opposed to magazines running these lowbrow "get rich quick" ads. I got started in the financial business 10 years ago by responding to an enticing ad, "Lazy Man's Way to Riches," by Joe Karbo. Joe revealed the secrets of the mail-order business, and it eventually made me financially independent.

But the other side of REASON's *laissez-faire* coin is *caveat emptor.* Don't conclude that just because you see an ad in a high-class magazine, the offer is legitimate. REASON, for example, shouldn't have to be *Good Housekeeping* or the Federal Trade Commission. If you do want a healthy dose of skepticism, I strongly recommend the newsletter *INVESTigate* (P.O. Box 2606, Winter Park, FL 32790, $48). Each issue looks in some detail at specific investment schemes and their backers.

Don't act under a false sense of security. Let the buyer beware!

Mark Skousen, author of 10 books on economics and finance, is the editor of Forecasts & Strategies.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By John Dentinger

The Bridge from Texas To the Stars

Kerry O'Quinn believes in making your dreams come true. "When I was a kid, I imagined traveling to the moon and all that science would bring. Everything I looked forward to in my life seemed to come down to science fiction—monorails, glass elevators—all the futuristic stuff I dreamed about. It was an optimistic view of the future."

In the process of making his own dream (being "100 percent master of my own fate") come true by publishing *Starlog*, the largest science-fiction fan magazine, he encourages his 250,000 mostly mid-teen to mid-twenties readers to do likewise. Files bulging with fan mail attest to the inspiration provided by his opening editorials, "From the Bridge."

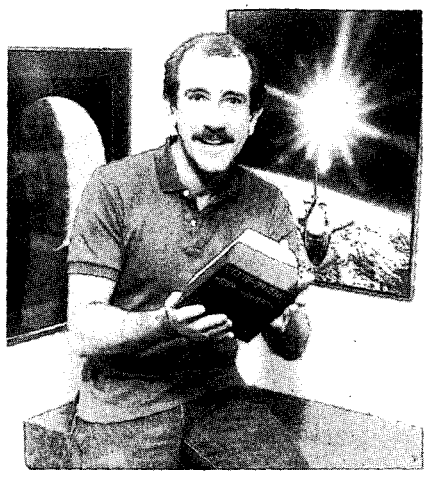
In his writing, O'Quinn goes beyond tolerance of human differences to glorify the "Star Trek" ideal of "Infinite Diversity in Infinite Combinations," which celebrates the multiplicity of races, colors, ages, goals, beliefs, and lifestyles of all sorts.

His editorial subjects have ranged from a defense of nuclear power to a eulogy to novelist-philosopher Ayn Rand—whom he knew—to a tale of traveling with friends to watch a space launch. The magazine, featuring garish covers and interviews with people involved in science-fiction movies, is read by such SF luminaries as Isaac Asimov and Arthur C. Clarke.

For O'Quinn, the path to "the bridge" was a tortuous one. He grew up in Austin, Texas, his father an attorney, his mother a journalist. As a child, Kerry drew cartoon strips and put on magic shows. On Halloweens, he turned the family home into a "fun house," complete with weird lighting effects and props like slimy liver to scare the kids. His high-school grades were average, but he was good in art, acted in school plays, and made movies on weekends.

From the day he got his driver's license at age 15, he loved driving out to the hills and lakes of central Texas, all by himself. He left the radio off "because there was too much glorious music playing inside my head." It was part of finding himself, a rather drawn-out process.

He registered at the University of Texas in 1956 as a drama major, intending to be an actor. But he fell in love with set design, then with fine arts. His college career stretched to six years. While creating a cartoon for the campus humor magazine late one night, he "accidentally" slipped in the f-word. The magazine was suspended and O'Quinn's U.T. career pretty much ended.



Kerry O'Quinn: *"It is the individuals who do not sand themselves down to a smooth, nondescript shape who create magnificence."*

At 24, he designed sets for summer musicals in Ohio, then headed for New York. Without connections, it was a hard city to crack, and he learned the coarse art of inexpensive dining. Most cheap hot dogs were 15 cents, but he found a stand at 42nd Street and 6th Avenue that sold two for a quarter. He changed jobs as frequently as he'd changed majors in college. At age 30, he still didn't know what he wanted to be when he grew up.

During this period, a friend took him to a lecture at Rand's Nathaniel Branden Institute (NBI). "Branden was talking about the existence of God. I had never heard anyone talk like that; it was quite exciting." Kerry designed covers for three NBI books and also designed, animated, and filmed an introduction to splice to the beginning of old movies: "NBI presents 'The Romantic Screen.' " Under this aegis, he ran a weekend theater in his apartment for several years.

Working in the art department of a magazine publisher, he met Norman Jacobs. "He was this Yankee with a Brooklyn accent with a Jewish background—he was so different from me, a slow walking, slow talking hick from Texas."

He and Jacobs teamed up to start what is now Starlog Press. With $900 of their own money and an advance from a national distributor, they started with a one-shot magazine, *The Beatles Forever,* on which they did all the work. It sold 100,000 copies and made "tons of money"—money that helped sustain them during the first three and a half years, while they paid other people poverty wages and themselves nothing.

"Norman had a wife and two kids to support. I could go without eating for a day and it didn't kill me," recalls O'Quinn. "What kept us going was money from free-lancing and my teaching a children's art class on Saturday mornings—plus Norm's Wednesday night poker games in Brooklyn."

They published magazines, a newsletter, and a nationally syndicated newspaper column—all devoted to soap operas—then, in 1976, the first issue of *Starlog.* It featured "Star Trek." Distributors said, "Great, but there will never be a *second* issue because there's nothing to put into it."

But the duo found a winning combination of "nostalgic SF—*Flash Gordon, The Day the Earth Stood Still*—with the current offerings—'Space: 1999' and the bionic person shows," Jacobs recalled in an editorial celebrating the magazine's 100th issue. Starlog Press is now in "a beautiful high-rise building in the center of New York City."

It's hard not to be ground down by conformist pressures in one's youth, O'Quinn tells his readers, but "it is the individuals who do *not* sand themselves down to a smooth, nondescript shape who are the people who solve great problems, forge new trails, invent important wonders and create magnificence." With his example and encouragement, many "Starloggers" may also make their dreams come true.

John Dentinger is a free-lance writer in Los Angeles.

$200 for every 4 minute call.

Could you use $200 every 4 minutes for just answering your phone? It can be yours for just picking up the receiver and having a 4 minute conversation. I absolutely guarantee that you will receive phone calls from people asking you where to send their money. Sit by the phone and wait for calls to come in. All you have to do is sit by the phone. This is the most revolutionary money-making system that you have ever seen or heard of before. It has never been advertised before. Let me explain it to you.

It is a business that allows you to take a 20% commission off work you never perform. The people that perform the work are more than willing to give you 20% because you will be offering them more jobs than they will ever have time to do. Overnight you can employ about 100 people.

You get paid thousands of dollars for every hour your crew works. All you do for this money is tell the crew when to start work—and then make sure the job was completed. It is as simple as that.

Not a cent comes out of your pocket to get this business going. It is a service that is deperately needed. Needed so badly that you will be getting paid large fees for the use of your service. With my book you can set up this business overnight. You don't need any experience or education. I didn't even complete grade 11 and I'm doing it. At one time I was even considered illiterate. All you need is the desire to make a lot of money without doing that much work.

You Get 20%

People will be giving you 20% of their earnings—while you could be watching T.V. Others that do your work are earning a modest living while you are becoming extremely rich. That is what this plan can do for you. It's amazing—revolutionary—a plan that will completely astound you. It is the only plan that you will ever find that will allow you to make thousands of dollars for doing practically nothing. Let me tell you how I stumbled upon this great discovery.

Sworn Statement

I David Bendah have personally known Mike Gilford for 10 plus years. I know that his personal wealth is well over $1,000,000.

After leaving the Navy, money was hard to come by because I had very little education. I had a wife and six children to support. I struggled because I wanted my family to have the best. My children had to wear second-hand clothes and had to share their few toys with each other. I was a taxi cab driver at night and a handyman during the day. I worked day and night just to make ends meet. I'd come home in the twilight hours of the night only to have to get up at dawn for another day of work. My wife was so supportive she took care of the house and kids while I slaved away at my many jobs to put bread on the table. I loved my family so I took more jobs just so they could have a better future.

One day as I worked fiercely through the long hours of the day I felt some excruciating chest pain. As beads of sweat rolled down my face I tried to ignore the sharp pain. I fell to the bare concrete floor and was later rushed to the hospital. My heart had almost stopped. I was hours away from death. The future I tried to create for my loved ones was killing me. My family came to see me and the tears filled their eyes—my wife and children didn't want to see me die. I felt guilt and remorse inside. I cried to myself "I'm an honest guy and I work hard—why am I so poor. I wish I could find a way of making money that didn't require a lot of work." Just then it came to me. It was an idea so strong that I suddenly fell back in my bed in amazement. I knew at that moment that I had found the answer to my prayers. "Never again will I have to work hard," I thought to myself.

I put this new plan immediately into effect. While I was resting at home, money would come to me. **All I had to do was to answer the phone and have my 4 minute conversations.** I have never made so much money for doing practically nothing.

Mice and cockroaches lived in our house. The house was so run down that as soon as we moved out it was torn down. I moved my family out of the downtown ghetto we lived in. I made so much money so quickly that my neighbors thought I had won the million-dollar lottery. They just couldn't believe that I was making money while laying around the house. I swore that I would make a better future for my family. I bought my wife a brand new Cadillac for her birthday, a token for her loving support. Just last week I bought her a full length mink, because she was visiting cold Toronto.

Absolute Proof

I certify that there is one company making over $4,000,000 a year using this system.

I was making so much money that my accountant advised me to shelter it with real estate. I took his advice. Today I own a 3,300 sq. ft., $350,000 mansion with a pool and the works. It has an excellent view, in fact, you can see the ocean glittering from it. I own two shopping plazas, one is worth about $2.1 million and the other is worth about $700,000. I also own apartment buildings all over town worth about $400,000. With a grade 10 education I have become a millionaire. **Something you can do with very little effort just by answering your phone.**

This plan is so easy to put into operation. All you need is a phone and you are in business. Pick up the receiver, have the 4 minute conversation, and make big money. This business has nothing to do with selling or multi-level marketing. You are just supplying a badly needed service.

For every $1,000 you make, your client will save $5,000. How can they afford not to do business with you. They save $4,000 just for calling you. That is the only reason your phone will ring off the hook. I not only guarantee you will get phone calls but I am sure you will not be able to handle all of the calls when you first start out. **Each phone call you take will put hundreds of dollars in your pocket.**

"I'm standing in front of one of the plazas I own."

My Guarantee

Send for my book *The $200 Phone Calls*, as each call comes in follow my instructions on how to carry on the conversation. If you are not making at least a few thousand dollars a day send back my book and your payment will be returned to you.

Wouldn't it be nice to be getting paid for doing practically nothing. Could you appreciate getting paid while watching T.V.? It's not working harder that will get you rich it is working smarter. I have a smart working method for you. A method that will get you any luxury car you want, a huge mansion overlooking the ocean, furs and jewelry beyond your wildest imagination. **It can all be yours for just picking up your phone and having a 4 minute conversation.**

Mike Gilford (619) 582-5281
Suite 600, 2676 Fletcher Parkway Dept. 408E
El Cajon, CA 92020

Dear Mike,

Send me your book *The $200 Phone Calls*. On the condition that I should be making at least a few thousand dollars a day. All I have to do is follow your instructions for the 4 minute conversation. If I am unsatisfied with your book in any way send my payment back to me.

Here is my $10.

Name _____

Address _____

City _____ St. _____ Zip _____

Important: To offset the cost of shipping and handling please include **"one dollar"**.

©1987Mike Gilford

life and liberty

Of Mermaids and Magnificence

By John R. Silber

It is a striking paradox that democracy places the highest value upon the development of the individual yet is frequently indifferent to heroes and hostile to greatness. There is a natural and praiseworthy skepticism among free people when they are confronted by those with heroic ambitions, above all when their ambitions tend towards the dictatorial. Yet democracies, like all human societies and indeed like all individuals, need heroes and require a vision of greatness if they are to achieve their potential.

My own ideas about how greatness and democracy are to be reconciled were molded by my Texan origins and by the role of the hero in Texan culture. Consider the fall of the Alamo, a story which is part history, part legend, and perhaps part myth.

Actor Peter Ustinov once recalled a meeting with Governor Preston Smith of Texas during the filming of *Viva Max*, a fantasy about the retaking of the Alamo by the Mexican army. The governor ritually retold how the leader of the Texans, Colonel Travis, had drawn his sword, cut a line across the dirt floor, and voiced his famous challenge: "All who choose to fight and die for Texas's independence, cross over and stand with me."

And Governor Smith concluded, "Every Texan crossed over that line with Colonel Travis."

"But Governor," Ustinov asked, "if all those in the Alamo crossed the line and stayed, and if they all died with Colonel Travis, how is it that we know the story?"

The Governor was undaunted: "Mr. Ustinov, that's because a French feller named Rose refused to cross the line; he turned tail and ran. But he weren't no Texan."

"Ah," said Ustinov. "Would he perhaps be the one who inspired that famous song, 'The Yellow Rose of Texas'?"

Conceivably, we owe our account of the heroes of the Alamo to the yellow Rose of Texas, but this seems unlikely. Rose would hardly have talked. Who then was the anonymous poet, the blind Texas Homer of the tale? Who composed this epic event, whose end no one ever witnessed? What other source could there be than the fact that the defenders, outnumbered 20 to 1, were prepared to give their lives for freedom—that they, like Patrick Henry, set a higher value on liberty than on life?

Sam Houston: *One type of democratic hero—ambitious, large-spirited, driven by a personal code of honor, in touch with the people and with the land.*

The philosopher Alfred North Whitehead has argued that moral education depends upon our recognition of the essential role of heroes: "The sense of greatness," he writes, "is the groundwork of morals." And this sense of greatness, he holds, must be embodied in myth or story rather than in some catalogue of moral virtues or duties. "The sense of greatness is an immediate intuition and not the conclusion of an argument." The story of the brave defense of the Alamo is a more powerful image of moral greatness than any to be obtained by a course in ethical theory.

It is an essential and traditional function of literature and art to provide these immediate intuitions of greatness, hence the great role assigned to literature and art in liberal education. Documents from the Boston school system a century ago make it clear that the inculcation of the heroic life was crucial to the curriculum: Macaulay's "Lays of Ancient Rome," Milton's "Paradise Lost," and Scott's *Ivanhoe* were studied in high school. Grammar schools assigned readings in the history of England and the United States, in which such figures as Henry V, Queen Elizabeth, Sir Walter Raleigh, Washington, Lincoln, and Jefferson were held up to the young as models to be emulated.

In McGuffey's readers, the dominant textbooks of American education in the 19th century, the emphasis is less dramatic but no less edifying. The heroic is domesticated and brought within the purview of the child: greatness becomes accessible. Examples of Roman generals, European kings, queens, and knights are therefore rare. The greatness is of smaller scale, but its relevance has been widened, democratized. A prudent, honest, confident George Washington, a steadfast, compassionate Lincoln—these appear in the company of wise grandmothers, sacrificing parents, and good children. Behind McGuffey's readers is the same moral impulse that produced a sign on the wall of the San Antonio YMCA when I was a boy: "Don't wait to be a great man. Be a great boy!"

Unfortunately, our educational system has become less and less effective in transmitting our birthright of heroism, our patents of potential nobility. With the tragic disappearance of the idea that there are certain books that every educated person should read, we have lost the idea of inspirit-

LIBRARY OF CONGRESS

$25,000,000,000

The Government Holds For You

Would you like to stake a share of the $25,000,000,000 the government holds for just making a few phone calls and looking in some phone books? That is all you have to do to enjoy thousands of dollars. If you can read English and can speak on the phone, you can make thousands of dollars overnight—and you don't have to do any selling at all.

This ad will explain every detail of an exciting new business that has never been advertised or attempted before—what's more, you can enter with absolutely no money.

Life was not always rosy for me. I got involved in a bad business investment a few years ago and lost about $11,000. Everything I owned was taken away from me. I needed money desperately to feed my family, so I was forced to toil as a waiter at the Sheraton Harbor Island Hotel in San Diego by night, and I was a filing clerk during the day. It was so exhausting, that as soon as I got home, I would sleep for just a few hours, wake up in a stupor, drink four cups of coffee, and then scramble to my next job. I had no choice. It was the only thing I could do to stop disappointing my loved ones. I remember coming home on Mother's Day really eager to call my mother, only to find that my phone had been disconnected. I went through the mail praying for some good news, only to find an envelope with no return address—it contained an eviction notice. At this point I thought we would have to live in our beat-up Fiat. We were fortunate to have relatives that were kind enough to let us stay with them. I never knew life could be so miserable. I sat down on the sidewalk just realizing how much being in debt could hurt. With tears in my eyes, I prayed for a way out.

My friend Gary, who was in the same financial boat as I was told me a story that changed my life forever. He told me very excitedly, "I received a funny-looking letter. When I first saw it, I thought it was another creditor making a claim on me. The letter told me about money that was rightfully mine—it said that if I signed the enclosed form, I would receive $2,592.59. Things were so bad that I had nothing to lose, so I signed the form neatly and returned it to the company.

"Ten days later I received a check for $2,592.59 with an explanation. A distant aunt had died and left $4,320.98 in her savings account. The company that found me collected $1,728.39. The firm had no trouble finding out that I was related to her. Just for matching up people with the same last names, that agency was making millions every year."

It was just then that an amazing idea popped into my mind. I was overcome with excitement; this revolutionary system was so simple, yet I knew it would take me out of my rut. I was compelled to find out more about it. I had lost everything I owned; what else could I lose? I found out everything I could and began to work on a plan. I put it into effect. My prayers were heard. To my relief I started to make more money than I have ever seen in my life for doing practically nothing. **In fact, my income for just last month was $50,076.78.**

Testimonials

I have been able to locate and notify 421 claimants (worth $20,197,323.97 in claims). I was even contacted by a Texas ranger that thought I was running a scam. Later when the ranger understood what I was doing he told me I could use him for a reference. I have made over $300,000 since I last wrote you Dave.
Herb H., TX

Due to the methods in your book I was able to secure $16,212 with the help of my brother. I had to get my 16 year old brother to help me because I am under age. I am 15 years old and have been traveling to Miami, Jamaica, St. Croix, New York. I'll be going to England very soon and L.A. Thank you for helping me make money with your system.
Andre I., CT

I've spent at least $7,000 on money-making books and seminars. The difference between them and your method is that yours works! In less than three weeks (part time) I was able to secure $52,614.21. Thanks for a business that will easily make me $100,000 this year. If I can ever be of service just call.
Steve S., CO

Having read your book, I have recently launched into the fascinating endeavor of locating people. As a result, I have succeeded in finding an individual with a fairly large sum of money.
Ben S., CA

Thank you so much for the methods outlined in your book. I was able to secure $24,685 in just six hours of work. I have read just about all the other "get rich" books but yours has to be the best.
Terrie, T., MI

I had a C-minus average in high school—one year, I received an F in English. By no means was I ever considered to have the smarts. But I did it. All you have to do to make large amounts of money is thumb through phone books and make a few phone calls.

Last summer we moved into a gorgeous home. My wife told me it was her life long dream to own a brand new car. You should have seen her tears of joy when I surprised her with her own new $20,000 car. Later I bought a 1986 Mercedes 560SL that cost me $56,000.

The amount of money I was making was incredible. Just as a hedge against taxes, I bought two three bedroom houses valued at $200,000.

Twenty-five billion is just sitting there waiting for someone to recover it. One out of ten Americans have forgotten or lost money in bank accounts, stocks, insurance premiums, etc. I will disclose a plan to you that will show you how to get your hands on this money.

Only 10 percent of the rightful owners claim their share of the $25 billion. The states make no strong effort to contact the rightful owners. Why should they, when unclaimed property is their biggest source of revenue, second only to taxes? The states are required by law to make a list of unclaimed owners. These lists are hard to find but I will show you how to get every one that the states publish. And in some cases, they're free.

Let me give you a random sample list from the state of Wisconsin. (Addresses are included in lists.)

Owner's Name	Property	Amount
Drinka, Teresa, A	Savings	$10,891.47
Lavelle, Samuel	Stock Proceeds	$21,529.61
McDonnell, Martha	Savings	$12,843.78
Meyer, Thusneida	Savings	$18,489.18
Patterson, Arthur	Savings	$14,629.24
Stien, George	Savings	$57,525.83

This listing is only a minor portion of the $25 billion in unclaimed property that is waiting for you.

To make thousands of dollars, all you need are telephone books and a phone. The proven system in this book can be learned in a half hour. After that, you are all set. **If you can read English and can speak on the phone, you're in business. It's as easy as that.**

Sample Proof

Bonnie Goldstein, a well-known syndicated newspaper writer who doesn't know anything about finding people, located the owners of $4,100 in two and a half hours with two telephone directories—she said so in the *San Francisco Sunday Examiner & Chronicle.*

My Guarantee

Send for my complete guide to recovering unclaimed money. Read the simple formula that has been tailored for each individual state. Sit down and make the required few phone alls and directory searches. **After following the simple formula, you must be able to recover $10,000 in one day** or your complete payment will be returned to you.

This opportunity can give you a new home, car and all of the luxuries money has to offer. There is a definite flaw in our revenue system, and you can profit from it.

David Bendah (619) 265-8777
6602 El Cajon Blvd., Suite B, Dept. 508E
San Diego, CA 92115

Dear Dave:

Send me your complete guide to recovering $25,000,000,000 in unclaimed money on the condition that I must be able to locate $10,000 easily in one day with your book or you will return my entire payment.

On that basis, here is my $10.

Name_____

Address _____

City _____ **State**____ **Zip**____

Please add $1 dollar to cover part of the shipping costs. All checks must be accepted by TeleCheck; payments not accepted will be returned in full.

ing greatness of which Whitehead speaks. The heroes of the *Iliad* display the truths of human existence: the importance of learning from life, the meaning of excellence, the nature of friendship, the necessity of loyalty and courage, the tragic solitude of our condition, and the inevitability of death.

None of this is now a part of the common experience—the common curriculum—of high-school graduates. This means that many lack the texts of their potential humanity, even their spiritual survival. They will all face, surely before they are 30 or 40, the loss of a close friend or family member, the loss of love, disappointed hopes. Ignorant of the heroes of ancient Greece, ignorant of Biblical heroes, ignorant of greatness, they will not know David's lament on the death of Jonathan:

> The beauty of Israel is slain upon thy high places;
> how are the mighty fallen!
> From the blood of the slain, from the fat of the mighty,
> the bow of Jonathan turned not back,
> and the sword of Saul returned not empty.
> Saul and Jonathan were lovely and pleasant in their lives,
> and in their death they were not divided:
> They were swifter than eagles, they were stronger than lions.
> Ye daughters of Israel, weep over Saul, who clothed you in scarlet, with other delights,
> who put on ornaments of gold upon your apparel.
> How are the mighty fallen in the midst of the battle!
> O Jonathan, thou wast slain in thine high places.
> I am distressed for thee, my brother Jonathan:
> very pleasant hast thou been unto me;
> thy love to me was wonderful,
> passing the love of women.
> How are the mighty fallen
> and the weapons of war perished!

Magnificent. Lacking these texts of greatness, we may find ourselves dumb when we most need to articulate our grief, deprived of the company of those who have suffered greatly before us and like us.

But our need for exemplars is not limited to coping with grief or the other modalities of human life. There is also need for greatness in community and national life. But this need does not ensure the emergence of heroes, nor does it overcome the ambivalence that citizens in a democracy feel about heroes and heroism.

The fundamental obstacle to the emergence of political heroes is found in the electoral process itself. If the people are to be led by heroes, the people will have to elect them. Every American politician knows that foremost among his tasks is pleasing a majority of his constituents.

But what are the consequences of trying to please everyone? "When the right of suffrage is universal, and when the duties are paid by the state, it is singular how low and how far wrong the people can go," Alexis de Tocqueville noted in the diary of his American journey.

Lady Macbeth: *Such villains are themselves heroes—perverse, evil heroes.*

Several days later, traveling on a steamboat, he met a man who had left his wife, gone to live among the Indians, taken an Indian wife, and liked to take a drink. When he heard that this man was also a former governor of Tennessee, who, like Huck Finn, had lit out for the territory, Tocqueville believed he had found proof that the people can go low and far wrong indeed. "Full of pride and ignorance, the electors want to be represented by people of their own kind."

But Tocqueville was soon forced to reappraise the wisdom of the backwoods Jacksonians who had elected Sam Houston governor of Tennessee and would, a few years later, elect him the first president of the Republic of Texas. Tocqueville questioned Houston about his life among the Indians, and before long he was taking pages of notes on their religion, their government, their concepts of justice, the role of Indian women, and Houston's analysis of U.S. policy toward the Indians. When it came time to sum up his impressions of Sam Houston, Tocqueville no longer sneered: "Everything in his person indicates physical and moral energy."

Sam Houston is one type of the democratic hero: ambitious, large-spirited, driven by a personal code of honor, in touch with the people and with the land, a friend to the indigenous peoples but a pioneer in promoting civilization in their territories. But it is surely worth remembering that Houston died an outcast, despised by his fellow Texans for opposing Texas's secession from the Union. Houston and other heroes have found that doing the right thing is seldom popular and often fails to achieve success in any obvious sense. Indeed, having a clear recognition of this fact, the unpopularity of opposing the popular, is one of the traits that defines the hero—especially in a democracy.

Even if there were never opposition to heroes, problems would arise. For in the confrontation of greatness with the ordinary, we can glimpse what might be called the shadow of the hero. On the one hand, the hero exalts and motivates; on the other, he intimidates and demeans. Greatness may evoke envy and rancor among those less great and misleadingly absolve others of their responsibilities; it may discourage future generations; and by no means least of all, greatness may be expressed in great evil. Such villains as Iago, Tamburlaine, and Milton's Satan, Shakespeare's Richard III, and Lady Macbeth are themselves heroes—perverse, evil heroes. However wrongly, however terribly, they *act.*

In our time, the heroic shadow has created the antihero. We have all seen him. Some antiheroes are repelled both by the idea of greatness and by those who exemplify it. Others are frightened by greatness; still others, bored. All share a conviction that heroism is not for them.

Perhaps the best literary portrait of the antihero is T. S. Eliot's J. Alfred Prufrock. A weak, sensitive, and timid man, but conscious of heroism in human life, Prufrock occasionally contemplates doing something that might, for him, amount to an heroic act—but he always sinks back, with an ironic sigh, into passivity.

No! I am not Prince Hamlet, nor was meant to be;
Am an attendant lord, one that will do
To swell a progress, start a scene or two...

Prufrock knows there is an "overwhelming question," but asks us not to ask it and instead, in his stream of consciousness, we find a portrait of the failing society that has no use for serious questions. Not daring to disturb the universe, he draws back from the seductive forces of life:

I grow old, I grow old.
I shall wear the bottoms of my trousers rolled.
Do I dare to eat a peach?
I shall wear white flannel trousers, and walk upon the beach.
I have heard the mermaids singing, each to each.
I do not think that they will sing to me.

The mermaids sang to Achilles and to David, to Sam Houston, and, terrible as their song may have been, the mermaids also sang to Stalin and to Lucrezia Borgia. With a certain self-pity and resignation, the antihero says sadly: "I do not think that they will sing to me."

There is truth, of course, in what Prufrock feels. How does an individual, aware of his limits, of his mortality, achieve that sense of greatness that is the motivating force of life?

Regrettably for us all, the question is more apt to be avoided than answered. The most common means of avoiding it is to abandon consciousness altogether. In thrall to hedonism, cut off from past and future, a disconnected present is all that remains of human life. The poverty and paucity of meaning negate any notion of the heroic.

Another method of avoiding the problem is the deliberate denial of individuality. The "Marxist hero" renounces all claim to, indeed all belief in, individual effort or worth. History for him is made not by individuals but by dialectical forces operating through social classes. He submerges himself, not only *accepting* his destiny as an obscure member of society, but *seeking* this obscurity as his fulfillment.

But for those who refuse to abandon either consciousness or individuality, the problem of the heroic remains. The democratic man in his ordinariness must find that sense of greatness on which moral achievement depends. If he is not motivated by greatness in the abstract, he must be able to appropriate for himself a relevant model like Jefferson, whose greatness includes a refinement and a reach which to some seems beyond that of the common man; or a man like Sam Houston, whose greatness was expressed not only in heroic appetite, ambition, and achievement but in a magnanimity and a common touch.

Yet the democratic hero remains a paradox. For all their greatness, Jefferson and Houston, like all other men, were subject

Willy Loman: *"I am not a dime a dozen! I am Willy Loman!"*

to the "discourtesy of death"—the ultimate democracy. The democratic hero, however great, lives not only in the great light of his significance—of which he may, like Sophocles' heroes, be unconscious—but in the stark realization of his insignificance.

This duality is eloquent in the great chorus of Sophocles' *Antigone*, which emphasizes both the brevity of man's life and the glory of his accomplishments on earth:

Numberless are the world's wonders, but none
More wonderful than man; the stormgray sea
Yields to his prows, the huge crests bear him high;
Earth, holy and inexhaustible, is graven
With shining furrows where his plows have gone
Year after year, the timeless labors of stallions.
Words also, and thoughts as rapid as air
He fashions to his good use; statecraft is his,
And his the skill that deflects the arrows of snow,
The spears of winter rain; from every wind
He has made himself secure—from all but one:
In the late wind of death he cannot stand.

This paradox confronts us also in the climax of Arthur Miller's *Death of a Salesman*—a play that a Yale professor told me could not be a tragedy, because tragedies had to do with heroes, and Willy Loman was just an ordinary fellow who failed because he was a bad salesman. Yet for Miller the life and death of a salesman is worthy of the highest art. We find ourselves voicing both sides of that climactic scene between Willy Loman and his son Biff, where Biff, out of a life of failure, tells his father: "Pop, I'm a dime a dozen, and so are you!"

And Willy replies: "I am not a dime a dozen! I am Willy Loman, and you are Biff Loman!"

Then Biff, at the peak of his fury: "Pop, I'm nothing! I'm nothing, Pop! Can't you understand that?"

Biff collapses in tears, and Willy says: "What're you doing? What're you doing?" He turns to his wife, and asks: "Why is he crying?...Isn't that remarkable? Biff—he likes me!...He...cried to me."

Then Willy, choking with his love, cries out his promise: "That boy—That boy is going to be magnificent!"

We do not have to choose between Biff and Willy. Both are right. They are a dime a dozen, and they are magnificent.

If we believe only that we are magnificent, we become insufferably arrogant at best and Tamburlaines at worst. On the other hand, if we believe that we are merely a dime a dozen, we lose our reason for being, the motivation for excellence, and the ability to sustain the disappointments and losses that go with even the happiest and most fortunate of lives.

Heroism is essential to the life of every human being. The genius of democracy is found in this paradox: we are all a dime a dozen and we are all magnificent.

John R. Silber is president of Boston University. This article is adapted from his commencement address at Boston University in May 1986.

the book case

Truth and Consequences

By Tim W. Ferguson

Orwell: The War Commentaries, edited by W. J. West
New York: Pantheon Books, 253 pages, $18.95

George Orwell is a particular favorite of neoconservatives. The Committee for the Free World publishes paperbacks through its Orwell Press. Thus it is fitting that a new collection of the famed Briton's World War II commentaries for the BBC raise the issue of a journalist's subordination to his government. Neoconservatives have been among the toughest critics of actions by the press that they believe ill-served the national interest.

Orwell's 1941-43 weekly war analyses, helpfully annotated in this volume by editor W. J. West, were broadcast to Indian audiences. For much of the span, they were delivered, deceptively, by Indians. Great Britain was greatly worried that the jewel in its colonial crown would be plucked by the Axis powers. The Nazis, too, were blaring propaganda, attempting to foment rebellion that might aid the Japanese, who were already at work on neighboring Burma. India was ripe for strife at the time—Mahatma Gandhi and much of his Congress Party leadership had been jailed. Loss of the raj could devastate the Allies.

So the stakes were high. The crucible of hot war probably forged for a reporter an even more difficult choice than confronts the press today as it records a (usually) cold war. Now as then, however, concern about facts—and in a broader sense, truth—is felt in the face of a massive disinformation campaign by a tyrannical adversary. How much should be told, and how should it be told, when the consequences for affairs of state could be grave?

George Orwell's choice during this period was to shade the truth. To voice the early setbacks of the war in a consistently upbeat tone. To reassure independence-minded Indians, whom he privately favored, of their interest in maintaining the empire. To paint

the Soviet Union, which he had grown to detest during the Spanish Civil War, in a broadly favorable light.

The last of these adds irony to the neoconservative affair with Orwell. For among this small but influential camp, posted in New York and Washington, are the bitterest foes of Soviet communism today. It is they who consistently remind us of Moscow's never-changing aims and deride those who, in doubting the nature of the beast, have given it comfort.

Here, then, are selections of what George Orwell the BBC propagandist had to say:

- "Great Britain and Soviet Russia have reached complete agreement as to their peace aims, which guarantee to every nation both access to materials necessary for life, and the right to live under the form of government which it chooses for itself." (Jan. 10, 1942)
- Stalin's "speech was notable for its lack of vindictiveness and for the wise and large-minded way in which it distinguished between the German people and their rulers." (Feb. 28, 1942)
- "Sir Stafford Cripps [who was to be Churchill's ambassador to Moscow] about seven years ago became dissatisfied with the too cautious policy of the Labour Party and founded the Socialist League.... Its main objectives were to form a Popular Front government of the same type as then existed in France and Spain, and to bring Great Britain and the other peace-loving nations into closer association with Soviet Russia....He has brought home to the ordinary people in Britain the enormous effort which their Russian allies are making, and the necessity of supporting them by every means in our power." (March 14, 1942)
- "...the mass of the Bulgarian people, who are very pro-Russian in their sympathies and indeed almost regard themselves as Russian." (March 28, 1942)
- May Day thoughts were directed "to the allies of Russia, active or potential, the proletariat of all lands, European patriots, oppressed brother Slavs, and the workers of Germany." (May 2, 1942)
- The Anglo-Russian Treaty "means that the two regimes are now in far greater political and economic agreement than would have been possible or even thinkable five years ago. It means, in fact, that the ancient ghost of Bolshevism and 'bloody revolution' has been laid [to rest] forever." (June 13, 1942)
- In the Ukraine, "the Germans intend to plunder these territories for their own advantage, without regard to the interests of the inhabitants, and...intend to break up the collective farms which the Russian peasants had built for themselves." (Nov. 7, 1942)

Orwell also sought to portray, indirectly as his situation required, the Soviets as benefactors of the Indian nationalists. In fact, as West observes, Stalin seemed content to let the Congress leaders remain in

prison but had insisted that members of the Indian Communist Party be set free.

Now, of course, we must consider the context. "Russia" was tying down the invading Germans in grueling fighting at a time when the United States was only beginning to be involved overtly in the war and Britain was regaining its strength after a lonely burrow beneath Hitler's bombs. The Soviets were due no illusions—indeed, London had mulled a war strike against them in early 1940, while they tried a pact with Hitler—but once the Eastern front opened up, it was considered vital to the Allied cause. London's Ministry of Information, to which Orwell answered, was full of Soviet sympathizers and had issued a directive on how to treat Stalin's regime that was a good deal more craven than anything Orwell put on the air.

And yet...a critical part of the world was given (along with most everyone else) a false portrayal of a nascent evil empire. How big a role this played in the survival of the Soviet Union and, even more arguable, in its emergence as a threat to human freedom, one cannot say. (Interestingly, India is today the free world's greatest illusionist with regard to the Soviets.) Shouldn't honest men have said honest things about the parties at war, even when the imperatives of foreign policy suggested otherwise?

Most informed opinion, indeed most neoconservatives, hold that the Soviet alliance was a necessary bargain with a devil in order to defeat a more pressing and pernicious demon. Probably so, to some extent. But Orwell himself pointed to a militating factor in a February 1943 reference to broadcasts by Joseph Goebbels as the tide of the war was turning. Goebbels was warning of the risk of a communist onslaught through Europe—what Orwell called "the Bolshevik bogey"—"to appeal to those sections in Britain and America who [were] frightened of seeing Soviet Russia become too powerful and might be willing to consider a compromise peace."

Again, the consensus has discounted the idea that Nazi Germany (or imperial Japan) could have been brought to heel through something short of unconditional surrender, with their generals still in command. What's more, the growing awareness of atrocities and the characteristic American need to see enemies and battles in black-and-white terms may have prevented such a course. But it can hardly be denied that the terms of the war's end benefited the Soviets and that the coloration given the wartime ally in Britain and the United States widened the democracies' tolerance for post-war Soviet expansionism.

Editor West notes at several points where the propaganda excesses of both sides gave inspiration to Orwell for his masterful *Nineteen Eighty-Four*. Perhaps by the late 1940s when he completed that work he appreciated even more fully the relationship of truth to totalitarianism.

Tim W. Ferguson is editorial features editor of the Wall Street Journal.

Ma Bell's Disconnect

Thomas W. Hazlett

The Deal of the Century: The Breakup of AT&T
By Steve Coll, New York: Atheneum, 400 pages, $18.95

Communism doesn't make it at all. Not for me. Cause it's complete government control. The capitalist system is the best, cause we can barter, we can go somewhere else. Communism is one big phone company.

—Lenny Bruce

The dismemberment of American Telephone and Telegraph, in its previous life the world's largest private corporation, has allowed us our closest peek at a curious asymmetry: a monopolist is despicable, unless it happens to be a posthumous monopolist. Where once the domineering Mother Bell could evoke wild, anticapitalist passion, today she is fondly recalled as a kindly and now sorrowful grammie, cruelly crated off to the home by some bratty kids in Washington.

Why Steve Coll's book about AT&T's breakup opts for this hip paradigm in its waning few pages is a mystery. No matter. In an informed and finely polished narrative of perhaps the most-fascinating business litigation in U.S. history, Coll wisely squanders very little of his appreciable journal-

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the book case

istic talents on pop economic analysis. Hence, despite his dubious conclusions regarding the new competition in telephony, his book serves as a valued contribution to our understanding of business, the courts, and government regulation.

In the early 1970s, while solemnly pledging to respect the Bell system's unquestioned monopoly position in basic phone-to-phone local and long-distance dialing, Microwave Communications, Inc. (MCI) had a bug that it could make money by constructing long-distance "private lines" between Chicago and St. Louis. These linked offices within the same company (hence "private") via microwave signals relayed by stations hopscotching the Illinois grain fields. Look Ma (Bell), no lines: Just good, clean *competitive* phone service.

But ringing a profit, decided MCI's entrepreneurial chieftain, Bill McGowan, would take more. And so his next step was to schnooker the federal bureaucracy in a paper shuffle par excellence. In literally tricking the Federal Communications Commission into approval of competitive long-distance dialing, MCI initiated the battle of the star networks.

Yet the all-American economic battleground is, of course, the antitrust courtroom, and both McGowan and the Justice Department were soon there to wage real war. AT&T had, allegedly, used its monopoly over local telephone service to keep "creamskimmers" such as MCI out of the long-distance and terminal equipment markets. MCI was to win $1.8 billion on its claim from a Chicago jury (a retrial deflated it to $300 million), and Litton was to clean up on its phone equipment competition case. But it was the Justice Department suit, filed in 1974 under Attorney General William Saxbe, that history would put its chips on.

Coll's impression is that the massive actions, which sought to divest AT&T entirely of Western Electric (which was producing virtually 100 percent of the nation's telephone hardware) and of its local operating companies, was a child of the '60s. The spark that would come to short-out the behemoth Bell grid was produced by the Kennedyesque sentiments of a young Antitrust Division liberal, attorney Philip Verveer. ("Socially Important Work in the Company of Good People" was not his favorite Twilight Zone script but, in fact, the motto encased on his work desk.)

"There was nothing subtle about the

the book case

young, committed lawyer's assessment of AT&T," writes Coll. "The phone company was morally wrong, it was evil, and it was up to Verveer to serve the public interest by enforcing the antitrust laws against it. This was not just a job—it was a calling." This calling was definitely *long*-distance, for an antitrust action to divvy up $130 billion in assets is generally known as a cradle-to-grave income maintenance scheme for needy citizens afflicted with the L.L.B. degree.

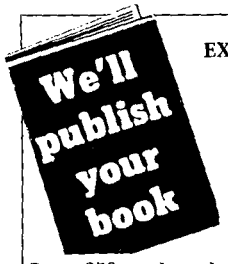
Whatever the sentimentalities, the Justice Department was deadly serious. Before this was well known, a Bell attorney made the mistake of sauntering down to Washington to chat up a settlement à la injunctive relief ("We'll promise not to misbehave if you'll just sort of forget about all this bothersome legal stuff"). The government's antitrust lawyer responded warmly: "I'll tell you one thing. This is going to be a severed limbs case. We're going to have severed limbs, AT&T limbs, on the table dripping blood. That's the way this case is going to be settled. We're not going to settle this thing with injunctive relief."

And Coll's explanation of left-wing prudishness over the rough and tumble of high-speed oligopolistic rivalry does not do justice to Justice. As the author explains in some detail (largely in recounting Bell's alibis for its anticompetitive mischief), not a soul within the capital's Beltway really had the faintest idea how one regulates a 19th-century monopoly doing business in 21st-century telecommunications.

Whatever "natural monopoly" had prevailed for long-distance transmission was disconnected by the advent (in the 1940s!) of microwave, and the tie-in of telephone manufacture with telephone signal distribution had never been clear. Add to this the increasingly constraining effect upon AT&T of its 1956 consent decree that banned it from entering the computer market. Bell was becoming more and more a twisted, contorted, Gulliver-sized traveler in a regulatory time warp.

Yet AT&T's blustering chairman of 1972-79, John deButts, would end up marching Bell off the deregulatory cliff. In Coll's portrait, deButts is almost likable in his True Believer devotion to Bell's mission of monopoly.

While policymakers in Washington were pushing phone competition in principle, and as MCI's McGowan was pressing it in the flesh, an angry deButts counterattacked



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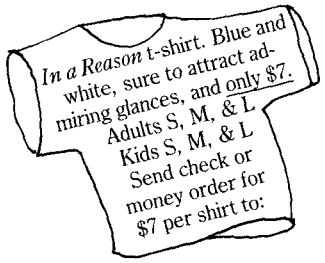
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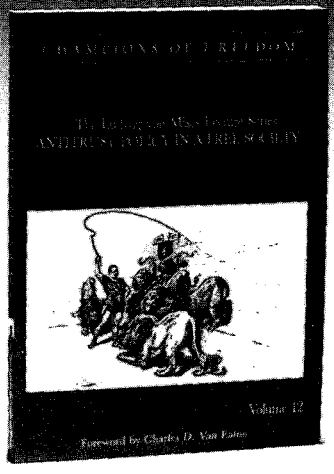

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in a memorable 1973 speech. He spoke of Bell's "unusual obligation" and its commitment to the "common carrier principle." This system was threatened by "newly authorized purveyors of communications services who, unburdened by any obligation to the whole body of customers, address their attention to those it costs least to serve and profits most." At this, his audience—the National Association of Regulatory Commissions—cheered madly.

At bottom, the old AT&T monopoly had become an economic dinosaur that was grabbing stereotypical fixed-income types (local dialers, all) as hostages in a calculated campaign to stave off marketplace extinction. Its every predation and inefficiency was ascribed to its "universal service" mandate or pinned on knuckleheaded bureaucrats; Justice's chief trial lawyer was to note before the court: "Bell's argument...in a nutshell, is regulation is never having to say you're sorry."

The prosecutors at Justice were liberals, but they were right. They smelled an odious monopoly leveraging its protected status in some markets to create power over fresh turf where all comers could—and should—compete. The suit was filed in late 1974; it was ruthlessly pushed to trial in early 1981 by the no-nonsense Judge Harold Greene (a Justice Department alumnus, having served as a trusted aide to Bobby Kennedy); it was settled after 11 months in court by Justice's antitrust chief William Baxter, an impressive scholar whom Coll curiously brands an "ideologue" and an "eccentric" for refusing government pleas for a political wimp-out to AT&T.

But the settlement was only possible due to fresh blood at Bell. The new leadership featured CEO Charles Brown, a man who saw that honest competition could, at some point, become preferable to Mel Brooksian regulation. With go-go competitors, the federal courts, state utility regulators, and Congress all taking free shots, Brown wrote off $360 million in legal briefs and settled *U.S. v. AT&T* with the world's largest divestment. By consent decree, Bell would keep Long Lines, Western Electric, and Bell Labs but would spin off the 22 local operating companies (since squeezed into seven), for a corporate garage sale of $100 billion in assets—three-quarters of Ma Bell. And, now the firm was free to log on to the computer market.

For Coll to describe as complex a regulatory history, with accompanying mammoth litigation, in clear style is commendable; to do so with a fast, happy read is to perform an "unusual obligation." Yet, Coll depreciates his product with off-the-wall charges that the bust-up of Bell was a bonehead idea after all. His frontispiece advertises that "the public lost by winning, and it lost big."

But Coll's evidence on this question, one which he turns to only in his last 15 pages, is an opinion survey suggesting the public was stressed-out over rising local rates. Baring a hidden tax—higher business costs from inflated long-distance charges—is unsurprisingly unpopular. And as *The Economist* has recently answered Coll's "if it ain't broke, why fix it?" refrain: "The days of the plain-old-telephone-service that Ma Bell so brilliantly provided in America are going the way of the cleft and hammer. The silicon chip and...computers have long since erased for business users the distinction between data processing and telecommunications. Within a few years, even home telephones could have high IQs...Those countries that...delay these changes will put their businesses at a competitive disadvantage."

Happily, the phone monopoly has been shaved by two-thirds. It would be mega message units (even on MCI), but someone should pass the news on to Mr. Bruce, who once pondered the following disputation:

"I want a phone put in Monday at 9:30."

"You'll have it by the end of the week."

"I want it at 9:30!"

"Alright, *schmuck*! Go to the May Company for a phone."

"That's right, I'm screwed. Where am I going to go?"

Now, Lenny, you can go to May Company, K-Mart, or buy it from a mail-order quack. It ain't perfect, baby, but it's competition—and it keeps working until it gets it right.

Thomas Hazlett teaches economics at the University of California, Davis.

Building the Rights Road to Liberty

By Loren Lomasky

Human Rights: Fact or Fancy? by Henry B. Veatch
Baton Rouge: Louisiana State University Press, 259 pages, $30.00

At first blush, an attempt to buttress a robust classically liberal theory of rights by grounding it in the moral philosophy of Aristotle would seem an unlikely candidate for success. After all, Aristotle (and his distinguished followers such as St. Thomas Aquinas) lived in a world in which talk of inalienable human rights was not so much distrusted as unknown.

Aristotle himself unself-consciously accepted as part of the natural rhythm of things a social order in which Greeks were the moral superiors of barbarians, females were subservient and males masterly, and slavery was the economic engine that provided for the lucky few comfort and leisure to pursue the higher ends of civilization. It was, in short, a world very much unlike any in which we could feel morally at ease.

And when the great tide of classical liberalism crested in the 17th and 18th centuries, its chosen philosophical foil was the Aristotelianism of the schools and the church establishment. It might seem, then, that no more need be said: defenders of human rights must look elsewhere for relief.

With the publication of *Human Rights: Fact or Fancy?* this verdict no longer stands unchallenged. The great virtue of the book is Henry Veatch's doughty willingness to pitch his theoretical tent some distance from today's intellectual fashions. Veatch tenaciously argues that an Aristotelian natural-law ethic can adequately support a moral order in which wide-ranging rights to liberty are respected and that no other philosophical starting point can generate rights that are more than arbitrary convention or piously wishful thinking.

In this enterprise he is not afraid to criticize sharply the Mandarins of contemporary moral philosophy, including John Rawls, Robert Nozick, and Alan Gewirth. All of them, Veatch maintains, fall within one or the other of the two broad categories "utilitarianism" or "Kantianism." The utilitarians fail because they ultimately confuse questions of what *is* the case with what *ought* to be the case. The blunder of the Kantians is to suppose erroneously that moral imperatives can be derived independently of consideration of human ends.

Whither ethics, then? Veatch's answer is unequivocal: to reclaim its cogency it must return to the Aristotelian conception of a world of things possessing *natures* that prescribe for them fitting ends. There is a good for horses simply in virtue of their being what they are, and it is to live successfully the sort of a life that a horse can. Human beings, too, have a natural good, but it transcends that of lower forms of life. Because people are rational, their natural end is, put most simply, to live intelligently. Indeed, says Veatch, each person has a *duty* to live according to reason. It is not a duty owed to God or to the state but to oneself.

In most of modern political theory, rights are primary and duties consequent upon them. Veatch contends that this is to get things precisely backwards: "Instead of trying to suppose that duties must be grounded in rights, with the result that the rights then turn out to be ultimate and yet for that reason arbitrary and without proper foundation, why not try making duties ultimate and seeing if rights cannot be grounded in such prior duties?"

The interesting and original twist that Veatch supplies to standard Aristotelian theory is to find rights flowing from duties to self. You have an obligation to live in a wise and fully human way; therefore I, in turn, am required to refrain from encroaching on your legitimate efforts to do so. I may not enslave you, kill you, or commandeer the material means at your disposal. Your rights against me in these regards are strictly derived from your duty to pursue your natural end.

The consequence, as Veatch works it out, is a regime of very wide personal liberty. Private property is accounted necessary for human flourishing and so may not be juggled by state authorities to serve the goals of a so-called distributive justice. People have firm rights, but these are exclusively of a negative sort—prohibitions of interference, and not claims to positive provision of various goods. (Veatch admits he is unable to develop principles that will accommodate the exception of children. No doubt this is a theoretical deficiency, but the admission is refreshing amid the usual run of political philosophy tracts, in which the existence of anyone other than mature, competent persons goes completely unmentioned).

The Aristotelian metaphysics has, in Veatch's hands, yielded a thoroughly liberal politics. In modern parlance, he pre-

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sents himself as a libertarian.

Curiously, this is a badge he will not deign to wear. In the opening sentence of the book he notes, "I must first make acknowledgement to the Libertarians, for without their assistance this book would never have been written." He then proceeds to state, though, "I am not myself a Libertarian." Why? I find it hard to determine why he believes the appellation not to fit. Veatch argues for the moral necessity of some sort of governmental structure, opposing in the process certain unnamed libertarians. It is hard to believe, however, that one so well read in the literature would believe that all, or even most, libertarians insist on a strict anarchism.

I suspect that Veatch's disinclination to be placed among the libertarians is based on no divergence in doctrine but rather on qualms about method. Although much libertarian political philosophy invokes human ends, these are typically characterized as *chosen* rather than *natural* ends. Veatch holds that rights erected on foundations such as these are too shaky to stand. Still, so far as I can see, that is not to oppose a libertarian philosophy but rather to argue that its foundations should be Aristotelian.

For almost half a century Henry Veatch has been a distinctive presence within American philosophy. As much as anyone over that time, he has been a worthy champion of the classical tradition. It is within that tradition that *Human Rights: Fact or Fancy?* resides, thereby contributing a welcome additional perspective to political theory. But does it succeed in providing that to which the title adverts: the "facts" that will raise talk of rights above the level of fancy?

Here I have my doubts. That is both because I am less confident of the deliverances of Aristotelian philosophy than is Veatch and because I am more optimistic than he concerning the prospects of alternative theoretical avenues. Concerning the latter, I should either say a great deal here or nothing at all. So, I keep my silence. Concerning the former, I note a few of the difficulties that keep me from enrolling in the Aristotelian camp.

First, even if it be supposed that human beings have something that can be called a "natural end," why should that *matter* to us? That is, why should nature be held in this context to be a true guide rather than a hindrance? For example, if anything seems to be built into my nature, it is to be an earthbound creature. Is it therefore my duty resignedly to turn in my Frequent Flyer card? As animals, it is a component of our nature to procreate; yet St. Thomas himself took vows of celibacy. By means of what principle are we to distinguish imprescriptible natural *law* from the way things merely happen to be with us?

Second, even so eloquent and energetic an Aristotelian as Veatch does not proceed very far in limning the details of our natural end. "Live intelligently," we are informed. Well, yes, that sounds like unexceptionable advice—but intelligently *for*

what? One can't simply act intelligently without being intelligent about something or other. And the particular something matters a great deal.

When Socrates was put before the Athenian jury, his display of philosophical genius did not amount even to a minimally intelligent effort of self-preservation. Are we to evaluate Socrates' performance as commendable or as catastrophic? Obviously, it depends on what we take to be of greatest true worth in such a case: fidelity to a philosophical ideal or enhanced longevity. It is the worthy that ought to be pursued intelligently and not the crass.

Intelligence, then, seems to be a means to an end (good or bad) rather than itself a candidate for all-encompassing human end. As Aristotle himself noted, reasoning concerns means to ends and is not of ends themselves.

Third, the notion of having duties to oneself is inherently problematic in the way duties to others are not. (Can I graciously waive the performance of the duty? Am I due compensation when it is not fulfilled?) But even setting that aside, I fear that a reflexive duty to live intelligently will generate little in the way of rights.

The interesting thing about a duty to act intelligently is that it can be carried out in virtually every imaginable circumstance. Whether I find myself slave or master, accosted by a mugger in the park or by an IRS auditor in a suite of offices, it is always up to me whether I act with greater or lesser intelligence. Thus, almost nothing can be done to me short of killing me that will interfere with my duty to exercise intelligence. Therefore, so far as I can see, such a duty is neutral between the political order favored by John Stuart Mill and that prized by the Ayatollah.

Finally, suppose that I am doing only a mediocre job of actualizing my full human potential. If I have a *duty* to do better, then isn't it entirely proper for the legitimate civil authorities to enforce my compliance? In more usual parlance, this is the question of the legitimacy of paternalistic intervention. Veatch suggests that enforcement can properly extend only to breaches against others. But if the so-called duty may, under no conditions, be externally mandated, are we not playing fast-and-loose with words to call it a duty?

At any rate, it is undeniable that all the most eminent Aristotelians believed that the church or state was justified in doing a great deal to ensure that persons would act wisely and virtuously. More than a few of them manned the Inquisition.

These criticisms are not intended to be dismissive of Veatch's argument. Rather, they are to suggest that the debate broached by *Human Rights* deserves to be further pursued. My hunch is that a viable liberalism will have something to learn from Aristotle, though perhaps not as much as Veatch suggests and perhaps not the items that Veatch emphasizes most. I personally find Aristotle's doctrine of natural ends not very illuminating. However, Aristotle's conception of *what ethics is for* seems to me far more insightful than the dominant contemporary paradigm of morality as primarily an interpersonal decision procedure. This is not the occasion to pursue such lines. It is, however, the occasion to welcome the circumstance of Aristotle being brought to bear on classically liberal rights.

Loren Lomasky is a philosophy professor at the University of Minnesota, Duluth, and the author of the new book Persons, Rights, and the Moral Community *(Oxford University Press).*

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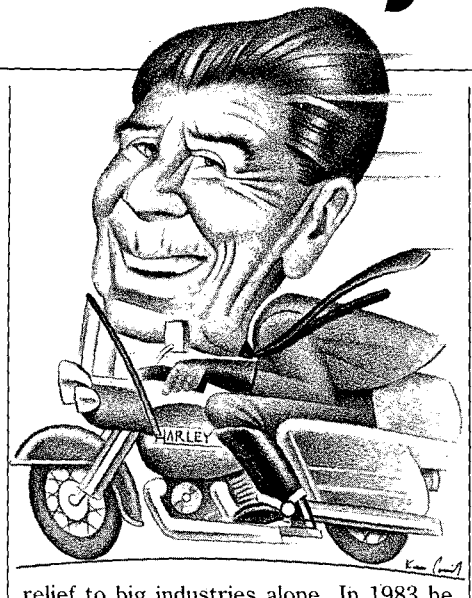
viewpoint

By Bruce Bartlett

Making the World Safe For Harley-Davidson



KEN CORRAL

This year, beginning with his State of the Union address, President Reagan has once again declared himself committed to free trade. But don't hold your breath. We've heard it before.

"Protectionism is not a problem solver," Reagan said in a typical 1983 speech; "it is a problem creator. Protectionism invites retaliation. It means you will buy less from your trading partners, they will buy less from you, the world economic pie will shrink, and the danger of political turmoil will increase."

Unfortunately, Reagan's commitment to free trade involves little more than rhetoric. His protectionist actions began almost as soon as he took office, with the import quota for Japanese autos announced in May 1981—a deviation excused as a "voluntary" agreement among Japanese auto makers but in fact rigidly enforced by the Japanese government.

And the effect, of course, was to raise the prices of all cars, as consumers paid "additional dealer markup" on a limited selection of Japanese cars and U.S. auto makers, facing less competition, sharply increased *their* prices. The U.S. International Trade Commission estimates that consumers paid nearly $1 billion in higher prices in 1981. By 1984 the cost of the quota had risen to $8.5 billion.

Reagan did change his mind (on this one) in 1985, but the Japanese government continued to limit auto exports to the United States. So consumers are still paying the price for Reagan's auto protectionism.

The second year of his administration, Reagan granted the steel industry relief from European and Japanese imports—again masked under the guise of "voluntary" restraints. And when this led to a surge of imports from other countries, notably Brazil and Korea, new restraints were slapped on in 1984 to hold all steel imports to 18.5 percent of the U.S. market.

The Institute for International Economics figures that these quotas jacked up the price of imported steel by 30 percent and of domestic steel by 12 percent. The estimated cost to consumers? $2.3 billion a year.

Of course, Reagan hasn't granted import relief to big industries alone. In 1983 he imposed tariffs on imported motorcycles, despite the fact that there was only one American-owned manufacturer, Harley-Davidson. In short, Reagan's action benefited a single firm—for which each buyer of a motorcycle paid an additional $400-$600.

More-recent protectionist actions by Reagan include quotas on machine tools, tariffs on imported pasta, and import restrictions on Japanese computer chips. He has also renewed restrictions imposed by earlier presidents that sharply raise the price of clothing, sugar, dairy products, and many other consumer goods.

A 1983 estimate by Murray Weidenbaum, former chairman of the Council of Economic Advisers, put the cost to consumers of all U.S. tariffs and import quotas at $58.5 billion per year in 1980 dollars. Since consumer prices have risen about a third since 1980, the comparable figure for 1987 would be about $78 billion.

Restrictions on imports of clothing, sugar, steel, and autos alone cost $14-20 billion a year according to a 1985 study published by the Federal Reserve Bank of New York. Using conservative assumptions, noted the study, this is equivalent to a federal income-tax surcharge of *23 percent* for people earning less than $10,000 a year. (By contrast, the "surtax" for those earning over $60,000 is between 3 and 5 percent.)

And Reagan's violation of free-trade principles goes beyond import tariffs and quotas. The zealousness with which the administration has enforced national-security export controls has imposed heavy costs on U.S. businesses involved in international trade, with long delays and paperwork requirements for the export of many goods with no conceivable military value. The National Academy of Sciences found that fully 40 percent of U.S. manufactured exports, not counting military goods, are covered by export controls, costing U.S. firms $9 billion a year in lost sales and 188,000 jobs.

Reagan recently announced plans to liberalize such controls because of the trade deficit, but he shows no inclination to renounce foreign-policy trade sanctions against such countries as Cuba, Nicaragua, Libya, and South Africa, even though Secretary of State George Shultz has called them "a bad idea" that basically hasn't worked. The President's Commission on Industrial Competitiveness figures they cost U.S. firms $4.7 billion a year in lost sales.

In addition, taxpayers are paying about half a billion dollars a year, through the Ex-Im Bank, to offer low-interest loans to U.S. exporters, with the benefits largely accruing to just a few companies like Boeing and General Electric. Although the Ex-Im Bank has been around since the 1930s, the Reagan administration recently expanded it to make domestic loans as well, in retaliation against foreign export subsidies.

Finally, we can't ignore the direct and indirect cost to U.S. producers and consumers when our trading partners play tit for tat—as when Canada imposed a 76 percent tariff on U.S. corn to get even for U.S. tariffs on Canadian lumber. And, by blocking imports from developing countries, protectionism exacerbates the Third World debt problem.

So Reagan's latest push for competitiveness and opposition to protectionism must be taken with a grain of salt. Free-trade rhetoric is not enough. It doesn't make up for the billions of dollars we are paying for protectionism. Actions would speak louder than words.

Contributing Editor Bruce Bartlett is the E. L. Wiegand Fellow in Economic Policy Studies at the Heritage Foundation.

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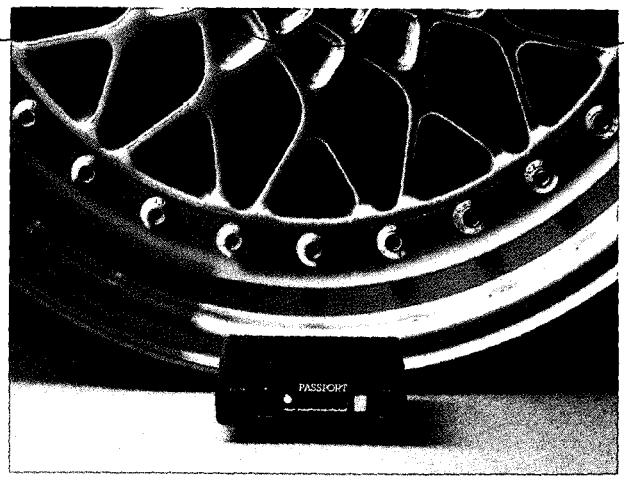

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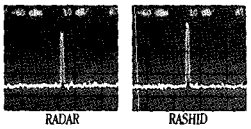

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